

## Current cost figures show incredibly heavy losses for German milk producers

***In January 2016, production costs were 44.94 cents; the farm-gate price was just 28.66 cents***

(Brussels, 15.04.2016) The German milk production figures calculated quarterly by BAL (*Büro für Agrarsoziologie und Landwirtschaft*, Office for Agriculture and Agricultural Sociology) indicate huge pressure on dairy farmers for January 2016: in addition to falling prices resulting from overproduction in the milk market, rising costs have led to increasing losses for milk production. It cost 44.94 cents to produce one kilogram of milk in January. The average farm-gate price of 28.66 cents a kilo nowhere near covered this expenditure, as clearly shown by the price/cost ratio of 0.64. Thus only 64 per cent of costs were covered by the farm-gate price.

The German prices for March have since dropped even further, and are now between 21 and 29 cents. Only a few smaller dairies paid a higher farm-gate price. But German producers are not alone in Europe. For instance, dairy farmers in Denmark are being paid only 27 cents, and in Belgium the price has already plummeted to 22–23 cents a kilo of milk.

Prospects for the next few months continue to be bleak. Romuald Schaber, President of the European Milk Board (EMB), explains the reasons for the negative forecasts: "Although the EU policy-makers decided on measures in March, they are neither binding for every member state nor do they affect every milk producer. If they were, they might have an effect." A so-called voluntary restraint on supply is now supposed to give the producer organisations and co-operatives the chance to limit their own production, yet that will not cut production enough across the EU. Firstly, dairy farmers already had the opportunity to limit production by means of a bonus system for co-operatives. The likes of Friesland Campina actually availed themselves of it in their own interest, but unfortunately it had no impact across the EU.

Secondly, strong production countries like Germany and Ireland have already announced that they will certainly not be applying this measure. So it is to be expected that reductions in production in some countries will be offset by increases in others. This is hardly what you would call solidarity and shared market responsibility.

So there has to be a voluntary restraint on supply launched by the EU policy-makers along the lines of the **Market Responsibility Programme (MRP)**. Under the MRP, in times of crisis an offer is made to every EU producer to reduce his/her production by a few per cent for a specified period in return for financial compensation. At the same time, a market responsibility levy must be imposed on every dairy farmer increasing production during the application of the programme.

Schaber: "The current EU policy measures are more of a distraction than a solution." He says that was evident in the rapid consent of many liberal economy member states and the EU Commissioner for Agriculture Phil Hogan. "They know full well that they have actually not resolved to do anything and are doggedly persisting with their liberal strategy." Yet this obstinacy has already cost many dairy farmers their livelihood. That is why the MRP must be adopted immediately on the EU level.

### **Background:**

The cost study, jointly commissioned by the European Milk Board (EMB) and the MEG Milch Board from BAL (*Büro für Agrarsoziologie und Landwirtschaft*, Office for Agriculture and Agricultural Sociology), calculates the costs of producing milk throughout Germany. It is based firstly on data from the European Commission's Farm Accountancy Data Network (FADN), and secondly is taken to update those data on the German Federal Statistical Office's price indices for agricultural means of production like feed, fertilisers, seed and energy, and uses an income parameter that calculates the performance of farm managers and family members.

Building on this study the MEG Milch Board developed the Milk Marker Index (MMI), which documents the trend in production costs (base year 2010 = 100). The MMI for January 2016 is 108 points. It is published quarterly along with a price/cost ratio. This shows the ratio between the officially recorded raw milk prices paid to the farmers and the milk production costs.

**You can find out more about the Market Responsibility Programme (MRP) on the EMB website at: [www.europeanmilkboard.org](http://www.europeanmilkboard.org)**

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