

January 2016

MILK PRODUCTION COSTS

Germany

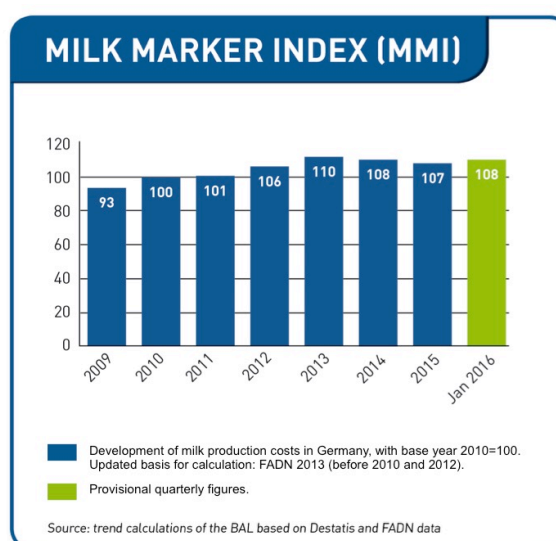


The nationwide costs of milk production in Germany in January 2016 amount to 44.94 cents per kilo of milk. This is an increase of 0.5 cents on the annual average for 2015. The calculation includes the paid costs and an income parameter for the work of the farm manager and his/her family. The subsidies per kilo of milk are deducted from the figure. The costs broken down by region are 40.93 cents for the North region, 40.46 for the East and 48.78 cents for the South. South Germany includes Bavaria, Baden-Württemberg, Hesse, Rhineland-Palatinate and Saarland; North Germany is Lower Saxony, Schleswig-Holstein and North Rhine-Westphalia. East Germany comprises Mecklenburg-Western Pomerania, Brandenburg, Thuringia, Saxony and Saxony-Anhalt

| Year | Paid costs | + Income parameter | = Total costs | - Subsidies | = Production costs |
|--|--------------|--------------------|---------------|-------------|--------------------|
| In cents per kilo of milk, forecast for Germany (weighted average) | | | | | |
| Jan. 2016 | 36.40 | 13.23 | 49.63 | 4.69 | 44.94 |
| 2015 | 35.90 | 13.23 | 49.13 | 4.69 | 44.44 |

| Region | Paid costs | + Income base | = Total costs | - Subsidies | = Production costs |
|---|--------------|---------------|---------------|-------------|--------------------|
| In cents per kilo of milk, forecast for 2015 (weighted average) | | | | | |
| North | 33.67 | 10.75 | 44.42 | 3.49 | 40.93 |
| East | 44.71 | 1.81 | 46.52 | 6.06 | 40.46 |
| South | 34.26 | 19.65 | 53.91 | 5.12 | 48.78 |

The Milk Marker Index (MMI) shows the average trends in milk production costs since 2009. From 2009 to 2013 milk production costs in Germany rose by 17% from 93 to 110 index points (2010=100). The markedly rising costs over the years were due primarily to higher prices of key means of production such as purchased feed, energy as well as fertiliser. Although milk production costs went down in 2014 and 2015, with 107 with index points in 2015, their level in 2015 is still much higher than it was five years ago. For seasonal reasons, production costs in January were again slightly higher than in the annual average for 2015.



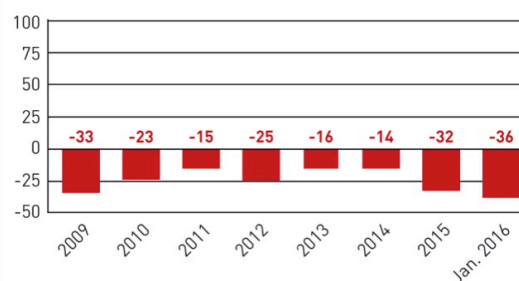
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The price/cost ratio shows that production costs in 2015 and current costs were/are only two-thirds covered by farm-gate milk prices. The current milk crisis puts the one six years ago well in the shade, given the present cost under-coverage of 36 per cent (price/cost ratio of 0.64 in Germany) and the ongoing economic deficit. Unlike other parameters, the significance of this ratio relates not only to feed costs but also to all key means of production and general operating costs. The labour costs taken into account are a minimum, based on collective wage agreement figures, for the self-employed dairy farmers and their co-working family members. To calculate the ratio, the milk production costs worked out by BAL are based on the officially calculated farm-gate prices of milk.

PRICE/COST RATIO



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



Brief academic comments

The milk production costs calculated for Germany for 2015 and the interim figure for January 2016 are based on data from the EU Farm Accountancy Data Network (FADN) from 2013. To project the costs of production onto the current situation, the profit & loss accounts of the specialised farms in the German test farm network as per the 2014/15 financial year and the price index for means of agricultural production and beef production from 2004 to 2016 published by Destatis were also used. The cost calculation for Germany incorporates representative data for small, medium and large specialised dairy farms from 13 federal states. The previous forecast for 2013 of 45.75 cents per kilo of milk was replaced, switching the database to the result for actual costs incurred, by 45.90 cents per kilo of milk. The fact that the difference between the forecast and the end result is only 0.15 cents shows that the methodical procedure for calculating the costs of milk production developed by BAL and commissioned by the EMB and MEG Milch Board is tried and tested. The costs of milk production are shown without Value Added Tax, relate solely to the cost and income components relevant to milk production, and refer only to milk supplied to the dairies.

Publisher information

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