

2015

MILK PRODUCTION COSTS

Denmark



Cost calculation in Denmark

The basis for the calculation of Danish production costs are the so-called paid costs of 41.08 cents, which include expenses like cost of growing and storing feed, bought-in concentrated feed, maintenance of tools and machinery as well as general running costs like wages and leases for land. A further 4.82 cents are added for the work done by farm managers and family labour. After deduction of aid to the tune of 4.20 cents, the reported production costs for 2015 are 41.70 cents per kilogramme of milk.

When classified according to farm size, the calculated cost for size class 5 (farms with an average 89 cows and standard output between €100,000 and 500,000) is 45.02 cents and for size class 6 (farms with an average 226 cows and standard output >€500,000) is 40.70 cents per kilogramme of milk produced.

milk production costs in Denmark (FADN 2013)					
year	paid costs	+ income rate	= total costs	- subsidies	= production costs
			in cents per kg		
2015	41.08	4.82	45.90	4.20	41.70

milk production costs by farm size classes (2015)						
farm size	dairy cows	paid costs	+ income rate	= total costs	- subsidies	= production costs
				in cents per kg		
5	89	41.44	8.16	49.60	4.58	45.02
6	226	41.30	3.37	44.67	3.97	40.70

In order to observe cost developments, the Milk Marker Index (MMI) is used to calculate the rate of increase in costs at regular intervals. Looking back at the last three years till 2013, the Index shows a slight drop of 3 percent in milk production costs. A drop in price for bought-in fodder, one of the most important cost factors, was the main reason driving the reduction in production costs over the last three years from 42.85 to 41.70 cents per kilogramme of milk.

Even though milk producers in Denmark have further reduced their spending as compared to the first milk crisis in 2009, the slim economic margins in the last years are clearly reflected in the price-cost ratio. The general high level of costs for required inputs prevented the moderate increase in farm-gate prices for milk from 2011 to 2013 from producing any sustained economic easing. As a result, there was a high shortfall in cost coverage of 38 percent in 2009 and 24 percent in 2010. It was only in 2014, and that too for just one year, that the gap between farm-gate price and milk production costs closed to the extent that costs were practically fully covered on an average.

Impressum

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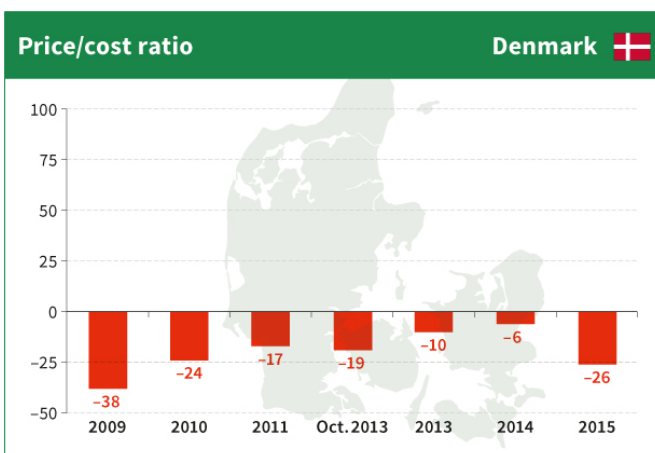


The price-cost ratio compares milk price with production costs and includes all elements that affect the cost of milk production, including labour costs. In 2015, milk producers faced a shortfall in cost coverage of 26 percent, mirroring the similar, dramatic situation in the second year of the 2009/2010 milk crisis.

Milk production costs in Denmark 2009 – 2015

	2009	2010	2011	2012	2013*	2014**	2015**
Production costs in ct/kg	44,74	41,77	42,98	41,94	42,85	42,29	41,7
Farmgate milk prices in ct/kg***	27,53	31,94	35,67	34,04	38,63	39,67	31,03
Price/cost ratio	0,62	0,76	0,83	0,81	0,9	0,94	0,74
Shortfall in %	38	24	17	19	10	6	26
MMI (index)	106	100	103	100	103	101	100

* For the June 2016 publication, the forecast values for 2013 were replaced by real costs calculated on the basis of the FADN database 2013 | ** as from 2014, trend calculation by the BAL (Büro für Agrarsoziologie und Landwirtschaft) on the basis of FADN 2013, the Danish test farm network as well as Eurostat 2015. Annual value for 2014 on this basis revised upwards. | *** all milk prices on the basis of the EU's MMO (2016) HISTORICAL EU PRICE SERIES of COW's RAW MILK in EURO/100 kg EU (natural fat and protein content).



BAL on the study – brief scientific comments



The first edition of the report on milk production costs in Denmark included calculations till 2012 and projections up to 2014 based on data from the FADN 2012. In the second edition, the basis of calculation was shifted to the FADN 2013. Milk production costs calculated by the BAL for 2013 in the previous year to the tune of 39.92 cents were underestimated by 2.93 cents, to an extent because of the highly moderate projected rise in cost of bought-in feed calculated in the FADN 2013 as compared to the actual FADN data from 2012. As a result, the projections for 2014 were indexed upwards due to the change in basis data.

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