

2015

MILK PRODUCTION COSTS

The Netherlands

Current development of costs in the Netherlands

As opposed to milk prices, production costs in the Netherlands have not changed significantly in 2015. After deducting aid to the tune of 2.20 cents, production cost was 44.50 cents/kilogramme of milk – way over the 40-cent mark. This figure includes wages of 9.88 cents paid for work done by farm managers and family labour.

When classified according to farm size, the calculated cost for middle-sized dairy farms of size class 5 (82 cows, €100,000-500,000 standard output) was 45.26 cents and for size class 6 (231 cows, >€500,000 standard output) was 40.25 cents per kilogramme of milk produced.

milk production costs in the Netherlands (FADN 2013)					
year	paid costs	+ income rate	= total costs	– subsidies	= production costs
in cents per kg					
2015	36.82	9.88	46.70	2.20	44.50
2014	37.45	9.88	47.33	2.40	44.93
2013	37.30	9.88	47.18	2.61	44.57

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	82	36.87	10.63	47.50	2.24	45.26
6	231	36.52	5.73	42.25	2	40.25

The Milk Marker Index (MMI, basis year 2010=100) in 2015 was one percentage point higher than in 2014. When measured against this rate of increase, milk production costs have albeit decreased slightly, but still continue to be higher than in 2010. Lower spending on bought-in fodder did, nonetheless, reduce the pressure of costs on farms in the previous year. But costs continued to remain high due to the effects of an overall increase in prices of key inputs for feed production and dairy farming such as compound feed, energy, seeds and fertilizers. The Index shows an 11 percent rise in costs over the last five years. As compared to 2010, milk production costs have increased by 4.54 cents per kilogramme by 2015.

Contrary to past years, costs and farm-gate prices for milk did not increase in parallel. After the price dip during the milk crisis in 2009/2010 (30.75 cents in 2010), farm-gate prices in 2011 increased moderately to 34.22 cents; however in 2012, prices dropped again significantly to 32.38 cents. In 2015, prices dipped, once again, to 30.75 cents.

Impressum

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The gap between milk prices and production costs has been growing for years now and is clearly reflected in the price-cost ratio: In the three years from 2010 to 2012, there has been a shortfall in cost coverage of over 20 percent. Even though the difficult economic situation eased up in both 2013 and 2014, milk producers faced a shortfall in coverage of milk production costs of over 30 percent in 2015 due to the second milk crisis in just six years.

Milk production costs in the Netherlands 2010 – 2015

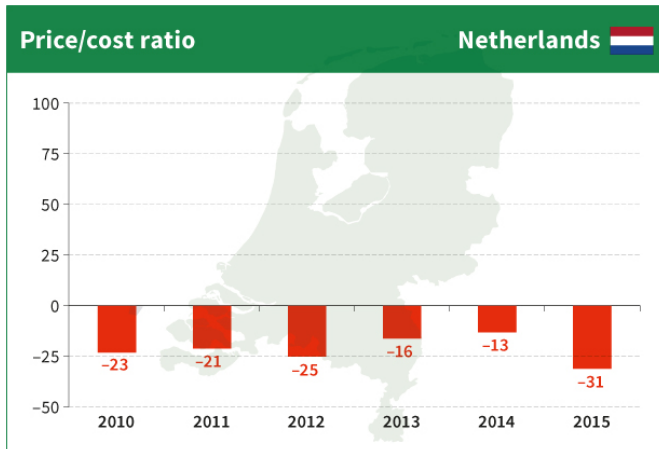
	2010	2011	2012	2013*	2014**	2015**
Production costs in ct/kg	39,96	43,05	42,96	44,57	44,93	44,50
Farmgate milk prices in ct/kg***	30,75	34,22	32,38	37,40	38,90	30,75
Price/cost ratio	0,77	0,79	0,75	0,84	0,87	0,69
Shortfall in %	23	21	25	16	13	31
MMI (index)	100	108	108	112	112	111

* For the June 2016 publication, all values until 2013 were replaced by real costs calculated on the basis of the FADN database 2010–2013 | ** as from 2014, trend calculation by the BAL (Büro für Agrarsoziologie und Landwirtschaft) on the basis of FADN 2013, LEI 2013 and 2014 as well as Eurostat 2015. Annual value for 2014 on the basis of FADN 2013 revised upwards. | *** all milk prices for 3,7 % fat, source: Price Information Desk (LEI).



BAL on the study – brief scientific comments

In the first edition of the Report on Milk Production Costs for the Netherlands published in June 2014, costs for the year 2013 were calculated on the basis of the FADN 2010. This edition also includes the real costs from the FADN 2013. The projections for 2013 were 44.52 cents - the available accounting data for 2013 reported a price of 44.57 cents per kilogramme. Thus, the methodology used to calculate milk production costs clearly proved itself to be valid for the Netherlands as well. With the shift of the basis of calculation to FADN 2013 data, representative data is no longer available for smaller dairy farms with less than 30 cows on an average. Therefore, such farms are no longer included in the milk production costs published for the Netherlands in 2015.



DDB on the study



The current gap between price and production costs for a litre of milk, coupled with the rise in production costs over the last five years show that current policies have pushed dairy farmers into a corner. These reckless political mistakes have led to irreparable consequences for family farms in the Dutch dairy sector.

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