News Details
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98% of milk production costs in Germany covered

Milk production costs in Germany

Year/ quarterly figures*	2009	2010	2011	2012	2013	2014	2015	2016	Jan. 2017	Apr. 2017	Jul. 2017	Oct. 2017
Production costs in ct/kg	38.54	41.44	42.05	44.08	45.90	44.39	42.13	41.17	41.94	42.00	40.98	41.30
Farm-gate milk prices in ct/kg**	25.84	31.89	35.92	32.90	38.75	38.78	30.53	27.93	33.76	33.87	37.19	40.35
Price/cost ratio	0.67	0.77	0.85	0.75	0.84	0.87	0.72	0.68	0.80	0.81	0.91	0.98

Price gap threatening to widen again in 2018

(Brussels, 16.01.2018) The fourth quarter of 2017 ended promisingly for German dairy farmers. For the first time that milk production costs had been calculated, farm-gate prices almost covered production costs. In October 2017, Germany’s dairy farmers were paid an average of 40.35 cents/kg milk, this being “only” 2% short of production costs of 41.3 cents.

The BAL (*Büro für Agrarsoziologie & Landwirtschaft*, Office for Agriculture Sociology and Agriculture) cost study clearly indicates that the price gap narrowed successively in the course of 2017. The price/cost ratio, which shows the extent to which production costs are covered by the milk price, equates to 0.98 for October 2017.

Romuald Schaber, President of the EMB, posits his wishes for 2018 as follows: “It would be good if the trend were to continue and we dairy farmers could be in the black this year.” “However, everything indicates a growth in production – milk prices are already collapsing again”. The impact of the voluntary restraint on supply under the volume reduction scheme is, he says, wearing off, and some dairies are already cutting producer prices. Reports from other countries confirm this trend. Back in November last year, Belgian milk producers were forced to accept a price cut of 1-2 cents/kg milk.

“It is all the more important for the Common Agricultural Policy to now enshrine a crisis instrument in order to stabilise the milk market in the long run”, Schaber stresses. The EMB Market Responsibility Programme, which automatically triggers off measures such as a voluntary restraint on supply in the event of market turbulence, could enable the EU to get to grips with the chronic crisis in the milk market at long last.

Background:

The cost study, jointly commissioned by the European Milk Board (EMB) and the MEG Milch Board from BAL (German 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, 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 rate 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 April 2017 is 101 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.

Download the data sheet

More information on the European cost study

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