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"A dramatic collapse"

Study reveals the development in margins for EU milk producers over the last 30 years

(Brussels, 17 March 2022) A current study reveals that the margins for milk producers have decreased significantly over the last 30 years, even sliding into negative figures to a large extent.

The study by the BAL (*Büro für Agrarsoziologie und Landwirtschaft*, Rural Sociology and Agriculture Office) has calculated four types of margin for the EU for the period 1989-2019 respectively 2004-2019 with the gross and net margin and the net economic margin I and II, clearly indicating the development in dairy farming.

The gross margin for milk producers in 1989 amounted to 21.98 ct/kg milk, compared to only 15.15 ct/kg milk in 2019.

Gross margin = total milk revenue plus coupled milk subsidies
minus input costs and general operating costs (excl. depreciation, wages, rent, interest[1] and taxes)

The net margin in 1989 amounted to 12.36 ct/kg milk, compared to only 4.17 ct/kg milk in 2019.

Net margin = same as gross margin but also after deducting depreciation, wages, rent, interest and taxes (but not including income for milk producers/family members helping on the farm)

The net economic margin I in 1989 amounted to 3.79 ct/kg milk. Negative figures started to be recorded already in 1995, with a value way below zero of -4.96 ct/kg milk in 2019.

Net economic margin I = same as net margin, but also after deducting a simple income rate for milk producers/assisting family members[2]

The net economic margin II is continuously negative in the period under review from 2004-2019[3]. The deficit varies in this time between 5.3 and 13.5 ct/kg milk.

Net economic margin II = same as net margin, but also after deducting a qualified income rate for milk producers/assisting family members[4]

See here for the complete study.

Sieta van Keimpema, EMB President, finds the results alarming: "The figures show a dramatic collapse in margins for dairy farmers. This also reflects the situation on the farms. It is clear that the wrong course was set for the dairy sector in recent decades."

Profitability in milk production has become an alien concept, regardless of margin type. The same also applies to appropriate payment for hours worked. Nor is there any kind of respect or appreciation for the work of the dairy farmers. It is therefore no great surprise that farms have to close one after the other. France, for example, has lost a quarter of its dairy farms in ten years.

EMB Vice-President, Kjartan Poulsen, demands a new approach to agriculture. "We need a new system – one that is based on cost-covering prices. The distorted price/cost ratio faced by our own farmers, the unconditional, harmful focus on exports without sufficient scope for crisis prevention – this actual situation reveals the failure of the current agricultural system." A new agricultural framework must make it possible for prices to cover all previous costs of milk production and also the new costs generated by the higher sustainability requirements.

With a view to the margins, Kjartan Poulsen addresses clear words to the EU Commissioner for Agriculture: "Mr

Wojciechowski, the data simply cannot be ignored any longer. You must work together with the farmers, the industry and the retail sector to look to the future and make every possible effort to make agriculture fair and profitable."

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[1] Wages, rent and interest = external factors

[2] Simple wage rate = wage amount paid to employees / h x hours worked by family members (without employer contribution)

[3] The necessary data are only completely available for the period from 2004.

[4] Qualified wage rate = twice the minimum wage / h x hours worked by family members (without employer contribution); the simple wage rate was used for Member States without statutory minimum wage (Austria, Denmark, Italy, Finland, Sweden and Cyprus). The qualified wage rate can only be ascertained for 2004 to 2019 due to missing data. The qualified EU wage rate is a weighted average wage (ascertained based on the weighted milk volume in the EU Member States).

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