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Current data on costs in the organic dairy sector show difficult income situation for producers

Income of farm managers and family workers is only 34 percent of applicable collective agreements

(Brussels, 30 November 2021) As current calculations show, producers in Germany were paid an average 48.66 cents per kilogramme of organic milk for the marketing year 2020/21. According to these calculations, however, the production costs amount to 64.39 ct/kg, when producers also receive fair remuneration for their work. Thus, producers were facing a cost shortfall of 24 per cent.

Over the years from 2016/17 to 2020/21, organic dairy farmers spent an average 51.98 cents exclusively on farming inputs and general operating costs without wages. This means that farm managers and their families were left with a mere 8.07 cents per kilogramme of milk in hand as remuneration for their work. Converted, this means that the producers receive only 34% of the income based on applicable collective agreements set in the cost calculation. According to these facts, organic milk is by no means socially and economically sustainable.

The data on milk production costs in the German organic milk sector has been compiled by the German Farm Economics and Rural Studies Office (BAL) and is updated every year.

Milk Marker Index (MMI) for organic milk

The Milk Marker Index (MMI) for organic milk charts the evolution of organic milk production costs. For the marketing year 2020/21, the MMI for organic milk was 96, i.e. production costs for German organic milk producers reduced by four per cent as compared to the reference year 2015/16 (2015/16 = 100).

Price/cost ratio (shortfall)

The price/cost ratio shows to what extent producer prices cover milk production costs on organic dairy farms. In the marketing year 2020/21, the milk price only covered 76% of producers' production costs; there was thus a shortfall of 24%.

Study on milk production costs in eight key milk producing countries

Cost calculations are regularly carried out as an average of all dairy farms and are not limited to organic production. It is very clear that even conventional dairy farmers are not being paid cost-covering prices.

You can find milk production cost calculations for Belgium, Denmark, Germany, France, Ireland, Lithuania, Luxembourg and the Netherlands for 2019 [here](#).

A chronic shortfall between production costs and milk prices – what is the solution?

In order to counteract this chronic shortfall, the European Milk Board (EMB) calls for a legally-prescribed crisis instrument. The Market Responsibility Programme (MRP) observes and reacts to market signals, for example by temporarily adjusting production volumes in times of crisis.

You can find a short description of the EMB's Market Responsibility Programme [here](#).

Background:

The European Milk Board (EMB), the German dairy farmers' association BDM and the German producer organisation MEG Milch Board have commissioned the German Farm Economics and Rural Studies Office (BAL) to carry out a study on production costs for organic milk and to update this study annually. It is an important complement to the Milk Marker Index

(MMI), which has been published since 2013, as well as to the EMB's reports on general milk production costs in different EU Member States.

Contact:

Vanessa Langer – press office (DE, EN, FR): +32 (0)484 53 35 12

[<<< back](#)