News Details
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Further downhill

German dairy farmers had to cope with a cost shortfall of 12 percent in January 2018

(Brussels, 17/04/2018) The calculations are easy: The cost of producing one kilogram of milk in Germany in January 2018 was 41.81 cents. During the same period, producers were paid an average price of merely 36.75 cents. Thus, only 88 per cent of production costs were covered; there was a deficit of 12 per cent. In October 2017, the shortfall was only 2 per cent. These figures come from the German quarterly cost studies published by the Farm Economics and Rural Studies Office (BAL). The institute has been compiling representative cost calculations for a number of European countries for the last five years.

According to Sieta van Keimpema, vice president of the European Milk Board (EMB), the situation on the European dairy market as a whole is problematic and must be addressed. "In addition to Germany, we have major deficits in other countries as well because milk prices do not cover production costs. For March 2018, according to the EU Milk Market Observatory, prices in the Netherlands are 35,50, in France 34,22 and in Belgium 31,97 cents per kilogram milk, while production costs amount to more than 40 cents.

It is especially worrisome to see that the concerned EU policy-makers simply accept this major imbalance and are not taking any measures to create long-term stability. Sieta van Keimpema evaluates this passive behaviour: "They are shirking the responsibility entrusted to them by the Lisbon Treaty. Article 39 states that the agricultural community should be ensured a fair standard of living. However, there is no such effort in practice." This is a blow not only to farmers, but to European citizens as well, who have repeatedly demanded fair prices for their farmers.

The entire cultural landscape of Europe is undergoing significant changes because an increasing number of farmers are forced to abandon their activity and therefore, can no longer contribute to balanced farming and rural areas. "It is possible to combat this trend in the dairy sector by actively reducing crises. The Market Responsibility Programme (MRP) is well-suited for this," says van Keimpema. Rock-bottom prices caused by surpluses can thus be avoided. It would become possible for producers to earn enough and continue to produce in the long term.

Background:

The European Milk Board (EMB) and MEG Milch Board, Germany jointly commissioned the Farm Economics and Rural Studies Office (BAL) to carry out cost studies on milk production costs all across Germany. These studies are based on data from the European Commission's Farm Accountancy Data Network (FADN) on one hand, integrate updated price indices for agricultural inputs like feed, fertilizers, seeds and energy from the Federal Statistical Office on the other, and also refer to an income variable that calculates the labour cost of farm managers and their family members.

Building on this study, the MEG Milch Board has created the Milk Marker Index (MMI), which documents the evolution of production costs (with the basis year 2010=100). For January 2018, the MMI was at 100 points. It is published on a quarterly basis together with a price-cost ratio, which shows the relationship between official raw milk prices paid to producers and milk production costs.

Download the data sheet

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