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German milk production costs well over 40 cents a kilo

A scientific study jointly presented by the MEG Milch Board and the EMB shows production costs in the dairy sector, to be updated quarterly.

Berlin, 17.1.2013

It had been long overdue: a reliable, ongoing calculation of production costs in the dairy sector. One that takes into account the working hours of the farm managers and their family members, differentiated by region, but at the same time produces figures that are comparable across the EU. The study, commissioned in late 2011 by the European Milk Board (EMB) and the MEG Milch Board from the Farm Economics and Rural Studies Office (BAL), calculated the production costs nationwide to satisfy these terms of reference. It is based firstly on data provided by the European Commission's Farm Accountancy Data Network (FADN). This is a reliable, representative and comprehensive basis for the study. Secondly, it also draws on price indices for agricultural means of production like feed, fertilisers, seed and energy, from the German Federal Statistical Office to update the EU data available.

A third important basis for the calculation is the wage variable, which incorporates the working hours of the farm managers and their family members. The results for Germany are currently available and are to be updated on a quarterly basis. For other EU countries, the costs will be calculated along the same lines in the next few months and years. This means that figures throughout the EU can be compared with each other – an important point in a market with an international dimension.

Results of the study

The German cost situation worked out for October 2012 is as follows (for 3.3 per cent protein and 4.0 per cent fat, without VAT):

in the North (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) milk production costs average 43.06 cents a kilo of milk. That is allowing for the subsidies, i.e. they have already been deducted from the total costs.

In the South (the Saar, Bavaria, Baden-Württemberg, Rhineland-Palatinate, Hesse) they average 51.03 cents a kilo of milk after subsidies are deducted. In the East (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Western Pomerania), the figure is 45.07 cents a kilo of milk.

European Milk Board: "Policy-makers must use these figures!"

These figures are key findings on the way to achieving cost-covering milk prices. For the EMB it is essential that policy-makers use these figures and set up an EU-wide monitoring agency. The agency would take the calculated costs as the basis for working out a fair milk price. And this can actually be achieved through flexible adjustments of volumes to the market. It is only with these basic conditions that the situation of producers in the value chain can really be improved.

The study shows clearly the huge gap between production costs incurred and the prices producers are paid. That is why in view of the costs calculated the EMB regards a farm-gate price of 50 cents a kilo of milk essential. Last year, however, the average price in Germany was 31.50 cents/kilo milk.

MEG Milch Board: "Study enables negotiations on an equal footing"

Now, finally: the MEG Milch Board has achieved the core aim of its constitution and along with the European Milk Board (EMB) has come up with an expert opinion on current costs of milk production. It is a unique study that shows dairy farmers with clarity for the first time where they now stand and in what direction the market has to go in the future. The expert opinion supports the change in direction initiated by policy-makers aimed at giving the dairy farmers a strong competitive position in the food chain.

The expert opinion now on the table will enable every producer and producer co-operative to negotiate on an equal footing. Whereas before they could only come up with vague arguments, now as is customary in the free economy, they can produce hard figures on costs. Initially it will be irrelevant whether the production costs ascertained that can stand scrutiny can be implemented in full. What is important is that the service offered by the MEG Milch Board with the expert opinion is accepted by more and more producers. The pooling of dairy farmers universally backed, even by policy-makers, is therefore the order of the day, especially now. The greater the degree of pooling, the greater the clout the expert opinion on milk production costs will have.

The figures available will be incorporated in an index in the first quarter of 2013. This MILK MARKER INDEX will quickly identify and update the ongoing development of costs. Details of this will be presented shortly by the MEG Milch Board.

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[Study on costs of production in German \("Was kostet die Erzeugung von Milch?"\) and French \("Combien coûte la production de lait?"\)](#)

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