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July 2022 in Germany: Cost coverage achieved for the first time in the dairy sector

The EU must take measures to stabilise its producer structure

(Brussels, 18 October 2022) The quarterly update of the cost study by the Bureau for Rural Sociology and Agriculture (BAL) shows that production costs in July 2022 were 47.31 cents/kg, while the average farm-gate milk price for the same period was 55.04 cents/kg. For the first time since the publication of these calculations, cost coverage was finally achieved in the German dairy sector.

The trend emerged as early as April 2022. Since then, producer prices have only increased further. However, this has not led to a significant increase in milk production. In fact, the milk volume in July 2022 actually decreased compared to July 2021 – production dropped by 0.6 percent. In the months between January and July 2022, production shrank by 1.3 percent compared to the same period in the previous year. It is plain to see that the situation on dairy farms does not allow for any significant reaction to higher prices, given that cost shortfalls have been the norm in recent years.

Milk production needs long-term, stable prices which allow for sufficient profit, in addition to cost coverage that includes a fair income for producers. This is the only way to stop the collapse of the production structure and to make it possible to attract young people to the sector once again. Policy-makers must take action to ensure a stable production structure and thus food security in the EU. Strong producer organisations across dairies, crisis instruments like the [Market Responsibility Programme \(MRP\)](#), a socially-sustainable CAP, and fair contract conditions or even mirror clauses for EU imports are just some of the necessary framework conditions that need to be put in place.

This is even more important because not all milk producers in the EU are paid cost-covering prices. For example, despite the massive rise in costs on dairy farms, producer prices for July in France were merely 44 cents/kg of milk. Socially and environmentally sustainable agriculture is impossible in such conditions. But it remains the urgent need of the day.

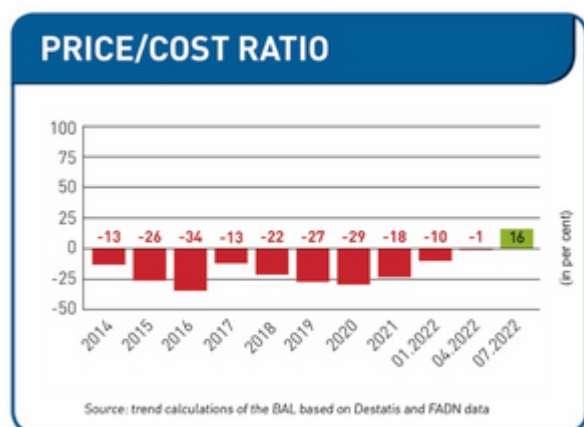
Development of milk production costs in Germany

[Here](#) you have the evolution of German milk production costs from 2014 to July 2022.

Price/cost ratio

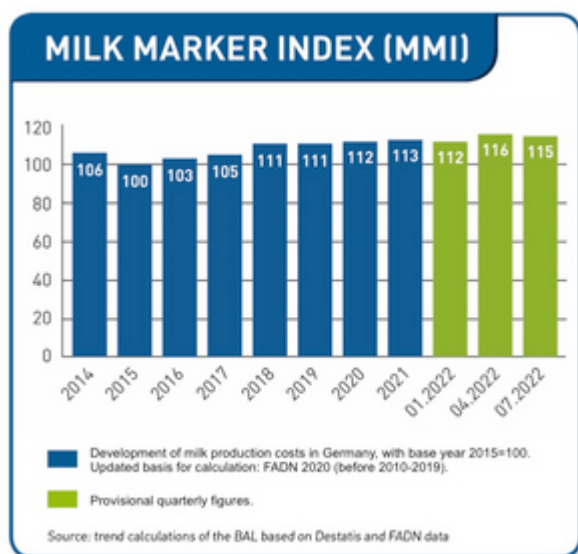
The price/cost ratio illustrates to which extent milk prices cover the cost of production. In July 2022, milk prices covered the cost of production for the first time. Cost coverage was at 116%.

Here you see the evolution of the price/cost ratio since 2014.



Milk Marker Index (MMI)

The Milk Marker Index (MMI) represents the evolution of milk production costs. In July 2022, the MMI was at 116, i.e. production costs for German dairy farmers had risen by 15% as compared to the base year 2015 (2015 = 100). Here you see the evolution of the Milk Marker Index over time.



Study on organic milk production costs

In November 2019, a study on the cost of production of organic milk in Germany was published (period: 2011/12 to 2018/19). You can find this study [here](#) as well as current data for 2020/21 [here](#).

Study on milk production costs in eight key milk producing countries

Cost calculations are regularly carried out in Germany but also in seven other countries.

The 2019 study on milk production costs in Belgium, Denmark, France, Germany, Ireland, Lithuania, Luxembourg and the Netherlands is available [here](#). You can find an update for 2021 with an outlook for the first quarter 2022 [here](#).

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

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

[Here](#) you have a short description of the EMB's Market Responsibility Programme.

In an open letter from the international farmers' organisations ECVC and EMB to the EU institutions, other important elements for a functioning EU dairy sector were also presented. You can see this open letter [here](#).

Background:

Commissioned by the European Milk Board and the German producer organisation MEG Milch Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the German Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download data sheet here](#)

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