

News Details

News Details

10.10.2018

Milk cost study shows: There is a gap between production costs and producer prices

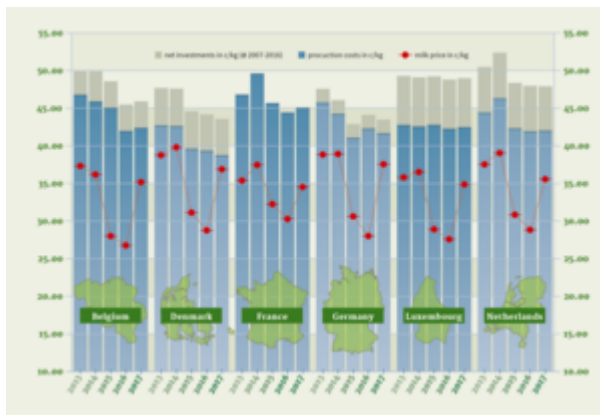


Overview published with the latest figures from France, Germany, Denmark, Belgium, Luxembourg and the Netherlands

(Brussels, 10.10.2018) The results of the latest milk production cost calculations in six European countries show in objective economic terms – black on white – that daily business for milk producers is grim: Milk production costs and farm-gate prices are moving further apart! Even in so-called 'good years' i.e. between dairy crises, prices are permanently below production costs.

According to the latest study by the Bureau for Rural Sociology and Agriculture (BAL) – *What is the cost of producing milk?* – the average milk production cost over 5 years in six European countries was between 41 and 46 cents per kilogram of milk. However, producer prices during the same period were on an average between 32 and a maximum 35 cents per kilogram of milk. "European milk producers are squarely in the red every month," says study author Dr. Karin Jürgens, hitting the nail on the head. "If this dilemma is not solved, it will become increasingly difficult for dairy farmers – both large and smaller ones – to continue to produce milk in Europe."

In 2017, production costs in all six countries inclusive of remuneration and average net investments were significantly higher than milk prices and were between 43.39 cents/kg (Germany) and 48.89 cents/kg (Luxembourg). And even without taking into account the necessary net investments, the average cost shortfall over 5 years is significant and between 14% (Denmark) and 27% (Belgium and France).



Milk production costs (in blue) and net investments (in grey) compared to farm gate milk prices (in red): prices never cover the farmers' cost of production

For Erwin Schöpges, dairy farmer from Amel in eastern Belgium and President of the European Milk Board (EMB), the figures confirm the chronic tense situation on farms. "We dairy farmers do not even recover our incurred production costs – forget about remuneration for our work." In principle, milk producers are paid whatever dairies are willing to spare, explains Schöpges. "We can only keep our farms alive thanks to complementary income from activities outside of farming!" European milk producers also expect costs to rise in the coming winter due to drought-induced feed shortages. "Tough times are ahead of us as milk prices remain at a low level", says the President of the European milk producers' association about the prospects for milk producers.

The production costs study was also recently presented to the experts of the European Commission's Milk Market Observatory (MMO). "They took note of the red figures on our milk production balance sheets, but there was no outcry regarding the imbalance within the food supply chain," says the EMB President, disappointed by the participants' reactions (or lack thereof). "It is now up to EU policy-makers to have the will to include an effective crisis mechanism in the future Common Agricultural Policy!"

Calculation on the basis of EU data and approach for fair remuneration of labour

The BAL study is based on recognised, EU-wide comparable and representative data compiled by the European Commission (data from the Farm Accountancy Data Network – FADN and agricultural price indices). Labour costs are calculated on the basis of agreed standards for the respective country. They also consider the worker's level of training and qualifications as well as country-specific wage agreements for farm managers. In the cost calculations, subsidies are deducted from total costs and net investments (10-year average) are also shown.

Milk producing country	Belgium	Denmark	France	Germany	Luxembourg	Netherlands
Input costs (seeds, fertilisers, plant protection products, bought-in feed, cost of equipment & repair, other maintenance and energy)	15.66	18.13	18.39	17.35	19.43	18.55
General operating costs (other specific costs for general and special production and all non-specific costs like labour, other general costs, plant inputs, rent, interest and taxes in 2012)	15.34	24.04	23.59	20.53	24.76	20.33
Incurred production costs in total (paid costs)	31.00	42.17	41.98	37.88	44.19	37.88
Revenue from beef production (deduction)	-3.62	-5.00	-6.04	-5.88	-6.72	-3.81
Production costs minus revenue from beef	27.38	37.17	35.94	32.00	37.47	34.07
Income variable	17.54	4.08	34.20	12.73	13.48	9.52
Total milk production costs	44.93	41.25	49.25	44.91	49.95	43.99
Subsidies (deduction)	-2.30	-3.51	-4.31	-3.10	-3.31	-1.08
Milk production costs (and total without net investments)	42.63	37.74	44.94	41.81	46.63	42.91
net investments (Q 2007-2016)	3.27	4.74	-0.87	1.58	4.37	5.80
Production costs (and total with net investments)	45.90	42.48	44.07	43.39	51.00	48.71

Overview of milk production costs: subsidies are considered as an income and are deducted from the costs. Necessary net investments should be added to the total cost.

[Please find the cost study here](#)

[Discover the cost study in the form of a short video](#)

Contacts:

EMB president Erwin Schöpges (FR, DE, NL): +32 (0)497 904 547

EMB director Silvia Däberitz (EN, DE, FR): +32 (0)2 808 1936

[<<< back](#)