

News Details

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Milk producers lack 15 ct/kg to cover their costs



Current quarterly figures on milk production costs in Germany published

(Brussels, 15/10/20) According to the quarterly cost study conducted by the German Farm Economics and Rural Studies Office (BAL), milk production costs – with current figures of July 2020 – have continued to rise, while the average farm-gate milk price has fallen over the same period. Compared to January 2020, production costs have risen by more than one cent to 46.95 c/kg in July. The milk price fell by exactly two cents in the same period and was only 31.24 c/kg. The current results show a significant shortfall of 33%.

Elmar Hannen, milk producer in Kleve, Germany, as well as BDM and EMB Board member, summarises the situation in the German milk sector: “In the first year after the sector strategy of the German farmers' organisation DBV, the German dairy industry association MIV and the German cooperative federation DRV, no improvement whatsoever can be seen on the milk market. If anything, the position of producers has deteriorated. They are facing an increase in costs due to higher requirements and the drought. However, these additional costs cannot be passed on and have to be borne by the producers alone. This widens the existing shortfall even further. Without crisis instruments we will not get out of this situation and will continue losing farms”. According to the German dairy farmers' association BDM, there is therefore an urgent need for an independent milk producers' industry association.

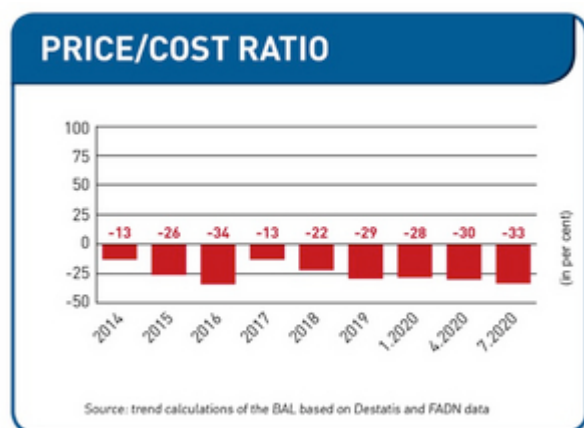
Development of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2014 to July 2020.

Price/cost ratio (shortfall)

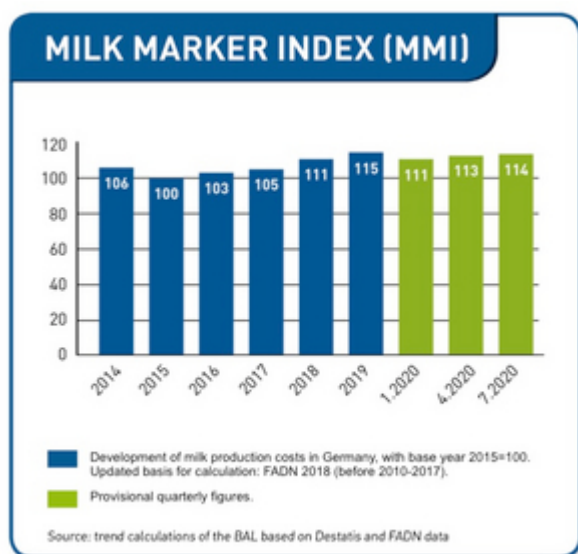
The price/cost ratio illustrates to which extent milk prices cover the cost of production. In July 2020, producers only recovered 67% of their production costs from the milk price; the shortfall was thus 33%.

Here you see the cost shortfall since 2014:



The Milk Marker Index (MMI) represents the evolution of milk production costs. In July 2020, the MMI was at 114, i.e. production costs for German dairy farmers had risen by 14% as compared to the base year 2015 (2015 = 100).

Here you see the evolution of the Milk Marker Index over time:



New: 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 to the most recent milk year). You can find this study [here](#).

Study on milk production cost in six key milk producing countries

Cost calculations are regularly carried out in Germany but also in five other countries. They as well clearly show that the prices paid to milk producers do not cover the cost of production.

The study on milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands in 2017 is available [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.

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.

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