

News Details

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17.04.2020

Milk production costs of 44.07 ct/kg in Germany far from being covered

In times of crisis more than ever: voluntary reduction scheme indispensable to prevent further decline in producer prices

(Brussels, 17.04.2020) The latest results of the study on milk production costs in Germany show a clear shortfall of costs, with milk producers missing 22% to cover their cost of production. According to the quarterly figures published by the Farm Economics and Rural Studies Office (BAL) – current figures of January 2020 –, production costs amount to 44.07 ct/kg, whereas the farm-gate milk price was only 34.56 ct/kg in the same period. Producers thus lack 9.51 ct/kg to cover their costs.

According to Johannes Pfaller, Executive Committee member of the European Milk Board (EMB) and dairy farmer in Middle Franconia, Germany, the price situation is even more problematic because it is projected to get worse in the coming months: *"The current crisis is showing, yet again, that it does not take much to push the dairy sector into a tailspin. It is becoming even clearer that we need effective instruments that would allow dairy farmers to take action in times of crisis – not at individual and national level, but coordinated action at European level. That is why the immediate implementation of voluntary – and if necessary, compulsory – production cuts is absolutely essential."*

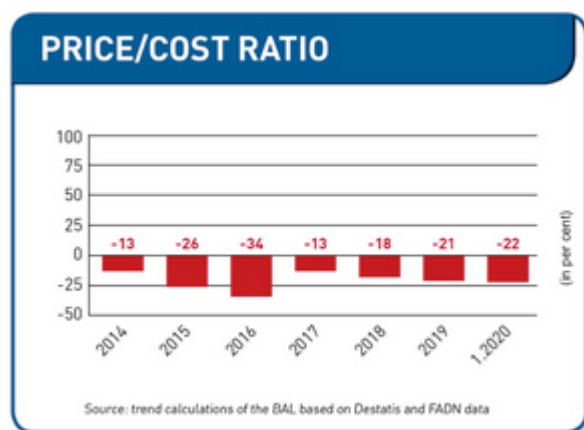
Evolution of milk production costs in Germany

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

Price-cost ratio (shortfall)

The price-cost ratio illustrates to which extent milk prices cover the cost of production. In January 2020, producers only recovered 78% of their production costs from the milk price; the shortfall was thus 22%.

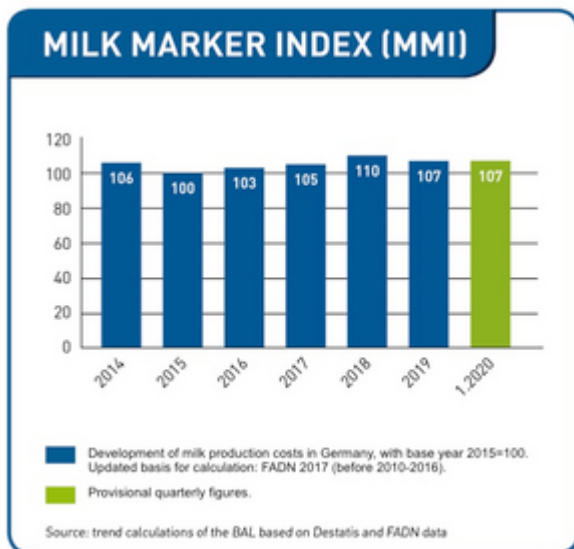
Here you see the cost shortfall since 2014.



Milk Marker Index – MMI

The Milk Marker Index (MMI) represents the evolution of milk production costs. In January 2020, the MMI was at 107, i.e. production costs for German dairy farmers had risen by 7% as compared to the base year 2015=100.

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



New: Study on organic milk production costs

In November 2019, information on milk production costs in the organic sector in Germany was published (period: 2011 to the most recent closed marketing year). You can find the study [here](#) (only available in German).

Study on milk production cost in six key milk production countries

Cost calculations are regularly carried out for Germany but also in five other countries. They as well clearly show that milk producers are not paid cost-covering prices.

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 Germany's 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 Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

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