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Netherlands: latest data show disastrous situation in the milk market

(Brussels, 01.07.2015) The costs of milk production in the Netherlands have been published for 2014. After 3.03 cents/kg subsidies have been deducted, the figure for the whole year was 42.24 cents per kilo of milk. By publishing the data, the EMB organisation Dutch Dairyman Board (DDB) together with the German BAL (*Büro für Agrarsoziologie und Landwirtschaft*, Office for Agriculture and Agricultural Sociology) has made an important contribution to transparency in the dairy sector.

Despite lower milk production costs with concurrently higher farmgate prices for milk, in 2014 it was not possible to cover production costs. With a price of 38.90 cents a kilo, there was below-cost selling in 2014 of 8 per cent. In the previous year the costs per kilo of milk were still 5 per cent higher and the price about 1.5 cents lower. Sieta van Keimpema, the President of the DDB, says: "You have to consider that 2014 was a year of relatively high prices. But even so it was not possible to cover costs." This caused many producers in the Netherlands to give up milk production. "Even though producing milk is a passion and we love our profession, the financial pressure gives many of us no other choice but to get out", is how Sieta van Keimpema describes the disastrous effect of the ongoing deficit.

This pressure has increased again in 2015. Current prices in the Netherlands are approx. 25-28 cents a kilo of milk. And the situation is also critical in the other European countries. Prices of 25-26 cents are reported from Belgium, an average of 29-30 cents for France, and 29 cents a kilo of milk for Denmark. And the situation is no better at present in Germany with 26-30 cents or in Ireland with 28 cents.

At the moment, the EU Commission is ignoring the drastic situation and refusing to implement a crisis instrument such as the Market Responsibility Programme (MRP). "This ignorance is costing a great many dairy farmers throughout Europe their livelihood and is very dangerous for the entire EU dairy sector. The EU governments and the Commission must implement the MRP now", van Keimpema demands action from those responsible.

Background:

The cost study jointly commissioned by Dutch Dairyman Board and the European Milk Board from the German BAL (*Büro für Agrarsoziologie und Landwirtschaft*, Office for Agriculture and Agricultural Sociology) calculates the Dutch milk production costs. It is based on data from the European Commission's Farm Accountancy Data Network (FADN). For the extrapolation, besides the price index for agricultural input and cattle breeding from 2005 to 2014 (Eurostat), the study uses scientific data on the specialised dairy farms of the Dutch network of test farms of 2013 (source: Landbouw economisch instituut, LEI Wageningen). To enable the labour costs of the self-employed to be calculated by their professional qualifications and work, the DDB had an external expert opinion drawn up. Based on a recognised system of evaluating the remuneration of work in the dairy sector, the study calculated the figure for the work of self-employed dairy farmers.

From this study the Milk Marker Index (MMI) was developed, documenting the ongoing trend in production costs (base year 2010 = 100). The MMI for 2014 is 107 points. It is published every six months together with a price-cost ratio. This shows the ratio of the officially collected raw milk farm-gate prices to milk production costs.

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[<<< back](#)