# News Details
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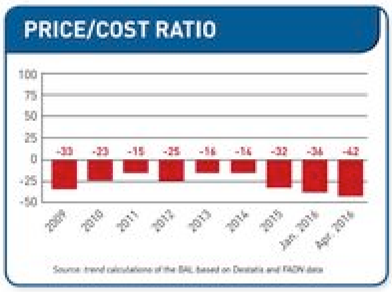
## No end in sight for the horrors plaguing the dairy sector

Visit at the European Parliament with MEP Maria Heubuch




### Current cost calculations still show disastrous shortfall in cost coverage in milk production

*Brussels 15.07.2016*: Except for the lack of paranormal assailants like zombies or ghosts, the current situation of milk producers all over Europe could have been taken from a horror movie: disastrous price reporting month on month; the gap between production costs and farm-gate price continues to widen and families on dairy farms live in fear of this very real threat to their existence.

As the figures from April for milk production in Germany show, an average price of 25.78 cents does not even cover two-thirds of production costs which are over 44.60 cents per kilogramme of milk.

These figures are complied every quarter by the Büro für Agrarsoziologie (BAL) and are then published jointly by the MEG Milch Board and the European Milk Board (EMB).

Cost analyses for other European countries show that this is neither a temporary problem nor a situation limited to Germany. For example, costs figures for Denmark and the Netherlands at the beginning of the year clearly showed how even countries with large farm structures are facing a constant deficit in milk production costs. With average costs of 41.70 cents in 2015, Denmark suffered losses of over 10 cents, while the deficit for Dutch producers with costs of 44.50 cents was almost 14 cents per kilogramme of milk. In fact, prices in the Netherlands in recent years have never been high enough to fully cover costs.

"This constant shortfall in price coverage means that farmers must subsidise their production out of their own pockets. To make this possible, they do not pay themselves for the work they put in and take on loans to salvage their milk production and farms for the time being," says Romuald Schaber, President of the EMB, describing the immense pressure faced by dairy farmers. When even this fails, many farms abandon milk production. Schaber says that this raises a very urgent question: "Can we really treat those producing our food so unfairly and allow production in many regions of Europe to simply disappear?"

While it is obvious that the answer to this question is 'No', the next question about options to address these unfair conditions is also self-evident. "To bring prices to a fair level, the volume of milk on the market must be reduced," outlines Schaber as the solution for the dairy sector. "Producers willing to reduce their production volume should receive financial compensation. After all, they would be contributing to stabilising the market, which would benefit all producers in the form of higher prices."

There are many voices calling for these voluntary production cuts at EU level in order to pave the way for the dairy sector out of this horror story - they include ministers of many EU Member States, MEPs and members of the Committee of the Regions. "It is absolutely essential that the European Commission also joins this camp," says Schaber.

## ***Background:***

The European Milk Board (EMB) and the MEG Milch Board jointly commissioned the Büro für Agrarsoziologie & Landwirtschaft (BAL) to carry out a cost analysis to calculate milk production costs across Germany. This study is based on data from the European Commission's Farm Accountancy Data Network (FADN), which is further complemented by price indices for agricultural inputs like feed, manure, seeds and energy from the Federal Office for Statistics. It also factors in wages for labour done by farm managers and family members.

To build on this study, the MEG Milch Board developed the Milk Marker Index (MMI) that documents the actual evolution of production costs (with basis year 2010 = 100). For April 2016, the MMI was at 107 points. The MMI is published every quarter along with a price-cost ratio, which shows the relationship between officially recorded raw milk prices paid to producers and milk production costs.

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