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### Press release: A chronic problem - milk prices do not cover the costs

*Current milk production figures reveal another clear shortfall in covering production costs. The situation on the market remains tense.*

(Hamm, 2.09.2013) With every kilogram of milk costing 43.03 cent, milk production costs clearly exceeded the average price of 35.25 cent per kilogram of milk in April as well. The current calculations are given in the study published by the European Milk Board (EMB) and the milk producers association MEG Milch Board on the costs of milk production in Germany. The chronic lack of funding to cover production costs does not seem to be going away.

The Milk Marker Index (MMI), which the MEG Milch Board calculates every quarter based on the results of the study on production costs, shows an increase in costs from 113 points in January to 116 points in April 2013 (base year 2009 = 100 points). In reality, this means there has been an increase of approx. 1 cent per kg of milk.

According to the price/cost ratio (the ratio between milk revenue and total production costs) which the Milch Board publishes along with the MMI, the price of milk in April only covers 82% of the costs.

For the chairman of the EMB, Romuald Schaber, the current figures clearly reveal that despite the gradual increase in prices, the situation on the market is still tense and will remain that way. "A constant shortfall is ruling the market and it isn't going to get better all by itself." The EMB is therefore campaigning to establish a monitoring body which uses the actual manufacturing costs as a basis for calculating fair milk prices. With changes to milk amounts, these prices can then be actually achieved on the market. Romuald Schaber highlights the need for a sustainable milk policy in the shape of a monitoring body: "The current available figures send a clear signal to all market participants and political decision-makers: the ratio between costs and price isn't healthy without suitable conditions. If you don't want a sick milk market then you need to act."

#### Background:

The joint study on production costs of the European Milk Board (EMB) and MEG Milch Board carried out by the Office for Agriculture and Agricultural Sociology (Büro für Agrarsoziologie & Landwirtschaft – BAL) calculates milk production costs across Germany. It is based on data from the European Commissions' Farm Accountancy Data Network (FADN), and uses price indices for agricultural means of production such as feed, fertiliser, seed and energy from the German Federal Statistics Office to update the data, drawing on the wage variable which calculates the work capacity of farm managers and their family members.

You can find the study here:

[www.europeanmilkboard.org/fileadmin/Dokumente/Press\\_Release/EMB-allgemein/2013/study\\_milk\\_production\\_costs\\_EN.pdf](http://www.europeanmilkboard.org/fileadmin/Dokumente/Press_Release/EMB-allgemein/2013/study_milk_production_costs_EN.pdf)

On the basis of this study, the MEG Milch Board has developed the Milk Marker Index (MMI) which records the current progress in production costs (using base year 2009 = 100). The results are published every quarter along with a price/cost ratio which shows the ratio between officially recorded raw milk prices given to the producers and milk production costs.

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