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Press release: Latest figures on milk production: Gap between costs and prices is growing

(Brussels, 1st September 2014) As shown by the latest results of the study on milk production costs carried out by the Büro für Agrarsoziologie & Landwirtschaft (BAL), the cost of milk production in Germany in April 2014 reached 45,95 ct/kg, while the farm gate milk price dropped to 40,60 ct/kg. This leaves producers with a shortfall in their production costs of more than 5 cents per kilogramme. In January 2014, production costs were 45,16 cents and the farm gate price amounted to 41,46 ct/kg.

The above-mentioned study, commissioned by the European Milk Board (EMB) and the MEG Milch Board as a joint project, also shows the cost of milk production according to different regions. With 51,06 ct/kg, costs were particularly high in the South region (Saarland, Bavaria, Baden-Wuerttemberg, Rhineland-Palatinate, Hesse). In the East Region (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern) costs in April 2014 amounted to 43,52 ct/kg and in the North (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) to 40,95 cents per kilogramme of milk.

For April 2014 the price-cost ratio calculated by the MEG Milch Board reveals an average cost coverage of only 88 per cent, i.e. a deficit of 12 per cent.

According to EMB President Romuald Schaber the fact that the gap between costs of production and milk price is growing is not a short-term phenomenon: "Producers have been facing this difficult situation already for a long time. And unfortunately we expect it to exacerbate even further."

The EU needs efficient crisis measures in order to maintain its milk production on a sufficient level. "The situation in the EU is already critical in general, but due to the Russian import restrictions the pressure is even higher", explains Romuald Schaber, referring to the problems in the dairy sector. It would therefore be necessary to set up a Monitoring Agency, which would regulate supply in order to allow milk producers to reach a cost-covering price for their produce. "Without the intervention of such a Monitoring Agency it will not be possible for the dairy sector to react adequately in every situation", says Schaber.

Background:

The joint study on production costs of the European Milk Board (EMB) and the MEG Milch Board, carried out by the German Office for Agriculture and Agricultural Sociology (Büro für Agrarsoziologie & Landwirtschaft, BAL), calculates milk production costs across Germany. It is based on data of the European Commissions' Farm Accountancy Data Network (FADN). To update the data it uses price indices for agricultural means of production such as feed, fertiliser, seeds and energy from the German Federal Statistical Office. Additionally, an income rate is used, which calculates the workload of farm managers and their family members.

On the basis of this study, the MEG Milch Board has developed the Milk Marker Index (MMI), which records current developments in production costs (using as base year 2010 = 100). The MMI for April 2014 is 111 points. The results of the index are published on a quarterly basis along with a price/cost ratio, which shows the relation between officially recorded farm gate prices for raw milk and milk production costs.

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