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Press release: New results: milk price does still not cover production costs

(Brussels, 2nd June 2014) According to the new results of the study on production costs carried out by the German office BAL (Büro für Agrarsoziologie & Landwirtschaft), the cost of production in Germany in January 2014 amounted to 45,16 ct/kg. With a milk price of 41,46 ct/kg, these new results reveal a shortfall of about 4 cents per litre.

Costs are particularly high in the South Region (Saarland, Bavaria, Baden-Württemberg, Rhineland-Palatinate, Hesse), with 50,20 ct/kg. For the East Region (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern) the study commissioned by both the European Milk Board (EMB) and the MEG Milch Board reveals a cost of 43,26 ct/kg. In the North (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) milk production costs in January 2014 amounted to 39,98 ct/kg milk.

The price/cost ratio calculated for Germany by the MEG Milch Board revealed that in January 2014 costs were covered by 92 per cent, which corresponds to a deficit of 8 per cent.

For Romuald Schaber, EMB President, this chronicle shortfall between producer prices and production costs represents a major problem: "Unfortunately, one of the logical consequences of this deficit situation is that an increasing number of dairy farmers have *no other choice* than to put an end to production.

In Germany as well as in the whole of the EU this not only leads to the closure of single farms – and the loss of the according

know-how – but also to the disappearance of milk production from entire regions." This will result in the EU's inability to produce enough healthy food within its borders. "In order to preserve the EU's food sovereignty in the future, we have to take action now, for example by putting in place a Monitoring Agency for the dairy sector", continues Schaber. This agency should not only monitor the market, but also play an active role in adapting milk supply to demand. This would guarantee a price which would allow producers to cover their cost of production and avoid chronicle deficits which are harmful to production.

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 (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, a wage variable 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 the current progress in production costs (using as base year 2010 = 100). The MMI for January 2014 is 109 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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Press release as pdf

<<< back