News Details

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# Press release: New study results reveal shortfall in milk production

*(Brussels, 3rd March 2014)* The new results of the cost study carried out by the German Office for Agriculture and Agricultural Sociology BAL show that the average price paid to dairy farmers in Germany in October 2013, i.e. 41,92 cents/kg, does not cover production costs. For the same period, production costs amounted to 44,12 cents/kg, thus revealing a gap of more than 2 cents per kilogramme.

The study, launched by the European Milk Board (EMB) and the German MEG Milch Board, also shows production costs according to three different regions. In the South region (Saarland, Bavaria, Baden-Württemberg, Rhineland-Palatinate, Hesse) productions costs amounted to 49,19 cents per kilogramme of milk, in the East region (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern) to 42,93 cents/kg and in the North region (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) to 38,56 cents/kg.

Romuald Schaber, President of the EMB, underlines the importance of the study. "The study results, which are updated on a quarterly basis, provide us with reliable information on the cost situation in the different regions." It is of great importance to constantly monitor the market, and especially the relation between farm-gate prices and production costs. "But a Monitoring Agency set up on institutional level which would make adjustments on produced volumes in case of major shortfalls is equally important", says Schaber.

For October 2013, the price/cost ratio calculated by the MEG Milch Board revealed that costs were covered by 95 per cent, whereas for the whole of 2013 they were covered by only 87 per cent. "The current price situation has slightly improved", continues Schaber. "But we should not forget that the milk market is characterised by a strong volatility of prices." 2012 the average milk price in Germany was slightly under 33 cents; two years before it was less than 26 cents/kg. Under such conditions, we have to react by adjusting supply, in order to guarantee the survival of milk production in all EU regions.

*Background:*

The joint study on production costs of the European Milk Board (EMB) and 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, seed and energy from the German Federal Statistical Office. Additionally, a wage variable is used which calculates the work capacity 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 base year 2010 = 100). The MMI for October 2013 is 106 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