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Press release: Plummeting milk price widens the gap between costs and prices

(Brussels, 01.12.2014) A study carried out by the BAL (German Office for Agriculture and Agricultural Sociology) has calculated the current figures on milk production costs. According to those figures, in July 2014 German production costs were 44.99 cents/kg milk, whereas the farm-gate price paid to producers had fallen to 38.74 cents. That makes the deficit between price and costs more than 6 cents. In April 2014, the costs were 45.95 cents and the farm-gate price was still 40.60 cents per kilo of milk.

Breaking the data down by region, the costs in the South region (Saarland, Bavaria, Baden-Württemberg, Rhineland-Palatinate, and Hesse) are 50.21 cents/kg. The costs calculated for the East region (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, and Mecklenburg-Vorpommern) were 43.49 cents/kg. In the North (North Rhine-Westphalia, Lower Saxony, and Schleswig-Holstein) the costs for July worked out at 39.41 cents per kilo of milk.

The BAL study on the costs of milk production was jointly commissioned by the European Milk Board (EMB) and the MEG Milch Board.

"The widening gap between prices and costs is due to the plummeting milk prices", says Romuald Schaber, President of the EMB. "Prices have slumped further since 2014 and the situation has become even worse." The market was swamped with wave after wave of milk; the demand could not reasonably absorb these volumes. A Market Responsibility Programme (MRP) must be applied immediately, he says, to control milk production in a sensible manner.

Without this measure prices would hit rock bottom, and there would be a crisis like that of 2009 hitting the European milk sector. "With the MRP we have the means of stabilising the milk market. So why aren't we using it?", says Schaber, his eyes fixed on the political decision-makers in Brussels.

The price/cost ratio for July published by the MEG Milch Board shows a nationwide cost coverage of only 86 per cent, making a deficit of 14 per cent.

Background information:

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 July 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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