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Press release: Production costs including a fair income now also available for Denmark

In 2014 production costs in Denmark were 43,32 cents

Brussels (29.09.2015). After Germany, France, Belgium and the Netherlands milk production costs have now also been calculated for Denmark, on the basis of EU data. According to the study carried out by the German BAL (Büro für Agrarsoziologie & Landwirtschaft), in 2014 total production costs of one kilogramme of milk in Denmark were 43,32 cents. After deducting subsidies of 4,33 cents the cost is 38,99 cents per kilogramme of milk in Denmark. The result includes a so-called income rate, which corresponds to the minimum value that self-employed dairy farmers – both farm managers and family workers – should include in their costs, depending on their professional qualifications. This approach distinguishes this study from the – unfortunately widespread – opinion according to which farm managers and family members working on a farm should hardly or only insufficiently be paid for their work.

The so-called price-cost ratio shows to which extent the current milk price covers production costs. In 2009 there was a shortfall of 38 per cent. Farmers had to wait until 2014 for their costs to be covered, following a drop in production costs and above all a higher milk price, i.e. 39,67 ct/kg. According to Kjartan Poulsen, President of the Danish dairy farmer association LDM, this was sorely needed, as in the previous years substantial deficits prevailed throughout the industry. "But the situation has significantly deteriorated again this year, as in Denmark as well milk prices are plummeting, reaching a level of currently only about 29 cents", says Poulsen.

The current EU policy has further fostered this development. No efficient measures are being taken to limit overproduction. This was shown once again at the last EU Agriculture Council in September. "In such times of crisis we need an instrument which prevents unnecessary volumes from being produced in the first place. The Market Responsibility Programme (MRP) is an example for such an instrument", explains Romuald Schaber, President of the European Milk Board (EMB). Tens of thousands of dairy farms in the EU are about to leave the industry. If we want to avoid a mass exodus, we have to implement the MRP. This is the EMB's key demand.

Background

The cost study jointly commissioned by LDM Denmark and the European Milk Board from the German BAL (Büro für Agrarsoziologie und Landwirtschaft, Office for Agriculture and Agricultural Sociology) calculates the cost of milk production in Denmark. It is based on data from the European Commission's Farm Accountancy Data Network (FADN). To update the data, price indices of agricultural means of production such as feed, fertilizer, seeds and energy (Eurostat) were used, as well as a so-called income rate, which measures the work load of the farm managers and family members.

Based on the data of this study the Milk Marker Index (MMI) was developed, which shows the ongoing trend in production costs (base year 2010 = 100). The MMI for 2014 is 93 points. It is published together with a price-cost ratio. The latter shows the ratio of officially collected raw milk farm-gate prices and milk production costs.

You can find further information on the Market Responsibility Programme (MRP) on the EMB's website:
www.europeanmilkboard.org.

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