

News Details

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Price/cost ratio in Germany almost at 2016 crisis level

(Brussels, 15/07/20) The latest results of the study on milk production costs in Germany show a clear shortfall of costs, with milk producers missing 30% to cover their cost of production. Current figures of April 2020 show that the cost of production amounts to 46.76 ct/kg, whereas the farm-gate milk price was only 32.68 ct/kg in the same period. Producers thus lack 14.08 ct/kg to cover their costs. These figures come from the quarterly cost study published by the German Farm Economics and Rural Studies Office (BAL). With the figures for April 2020, the calculation of milk production costs was adapted to the latest FADN data of 2018.

The milk production costs of almost 47 cents/kg on average are mainly due to the effects of the dry years since 2018. As in the years 2012/2013, cost developments and a weak farm-gate milk price below 33 cents/kg are now leading to a producer price crisis. The price-cost ratio almost reaches the 2016 crisis level.

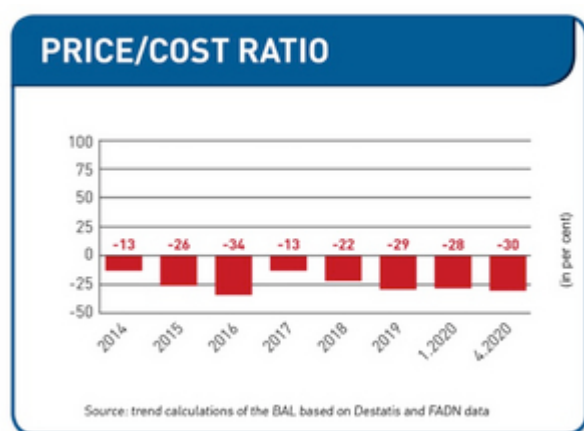
Development of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2014 to April 2020.

Price/cost ratio (shortfall)

The price/cost ratio illustrates to which extent milk prices cover the cost of production. In April 2020, producers only recovered 70% of their production costs from the milk price; the shortfall was thus 30%.

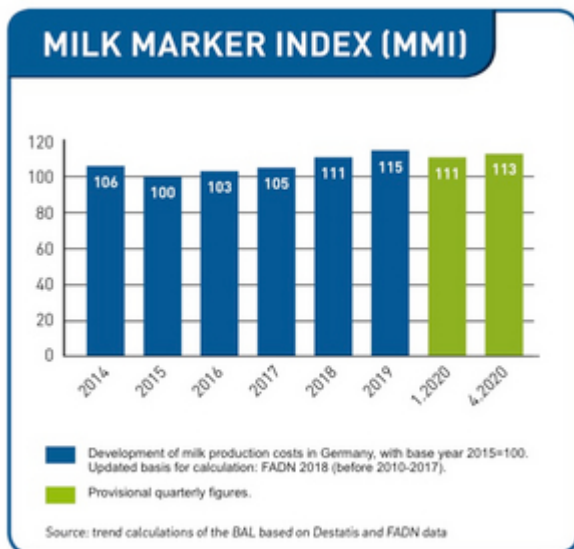
Here you see the cost shortfall since 2014.



Milk Marker Index – MMI

The Milk Marker Index (MMI) represents the evolution of milk production costs. In April 2020, the MMI was at 113, i.e. production costs for German dairy farmers had risen by 13% as compared to the base year 2015 (2015=100).

Here you see the evolution of the Milk Marker Index over time.



New: Study on organic milk production costs

In November 2019, a study on the cost of production of organic milk in Germany was published (period: 2011 to the most recent milk year). You can find this study [here](#) (in German, English version available soon).

Study on milk production cost in six key milk producing countries

Cost calculations are regularly carried out in Germany but also in five other countries. They as well clearly show that the prices paid to milk producers do not cover the cost of production.

The study on milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands in 2017 is available [here](#).

A chronic shortfall between production costs and milk prices – what is the solution?

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

[Here](#) you have a short description of the EMB's Market Responsibility Programme.

Background: Commissioned by the European Milk Board and Germany's MEG Milch Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the German Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

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