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Producing one kilo of milk in Luxembourg costs 44 cents



European cost analysis now includes one more Benelux country

Brussels, 21 October 2016: Even in Luxembourg, milk prices have been falling to painful lows for a long time now while production costs remain much higher, as is the case in the rest of Europe. While extending the European cost analysis to include Luxembourg, the Büro für Agrarsoziologie (BAL) has calculated a production cost of 44 cents for the year 2015 for the Benelux country. However, the average milk price was only 28.73 cents during the same timeframe. The summary of the study states: "In just six years, the production cost for one kilogramme of milk has increased by almost 6 cents. On an average, up to 35% of production costs were not covered in 2015."

For Luxembourg's milk producer organisation LDB, who commissioned the BAL to conduct the cost study, the country's inclusion in the cost analysis is an important step. It provides a realistic representation of the local situation of milk producers, backed by facts. They believe that this information is the only way to ensure that an appropriate strategy is adopted for the dairy sector.

The review clearly illustrates the precarious reality of the dairy sector in Luxembourg as well as the real need for a change in political direction. The study has analysed cost coverage over the last six years by using a price-cost ratio. In four years overall, prices were at least 28% lower than production costs. The study provides the following reasons for this situation: "On one hand, you had the after effects of the milk price crisis that began in 2008 and led to only a moderate increase in farm-gate prices by 2010. In 2012, there was another milk crisis because the very modest farm-gate prices were coupled with exponential rises in production costs due to increased equipment costs."

Rural areas play an important role in the economic and social development of Luxembourg. Milk production can only be considered an economic driver for these regions if production costs are covered. A sufficiently high milk price can only be maintained if there is a balance between market demand and supply. As one of the Member States, Luxembourg is also dependent on the EU's dairy policy. If the EU is unable to successfully hem overproduction very soon, milk producers in Luxembourg will have a very slim chance of survival. They will *have to* give up - like so many of their colleagues in the rest of Europe.

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