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Producing one kilogramme of organic milk costs 60.29 cents



Costs in the German organic milk sector will now be published annually

(Reuth, 28/11/2019) The steadily-growing demand for organic products is motivating many milk producers in Germany and Europe to convert their farms. In 2017 and 2018 alone, organic milk production in Germany increased by almost 20 percent year on year. The growing market significance of organic milk means that there is an ever-increasing demand for information about the sector as well. The important aspect of organic milk production costs has been analysed in the "Calculation of organic milk production costs in Germany – marketing years 2011/12 – 2018/19" study by the Farm Economics and Rural Studies Office (BAL). This study, which has been commissioned by the MEG Milch Board, BDM and EMB, will now publish data on production costs in the German organic milk sector on an annual basis.

The total production costs for 2018/19 were 71.89 cents per kilogramme of organic milk. Subsidies, which are considered farm income, are then deducted. This results in a final price of 60.29 cents per kilogramme.

According to Kjartan Poulsen from the European Milk Board (EMB), cost information is absolutely essential to obtaining a realistic picture of the market. "When you look at organic milk production costs of 60.29 cents against the price of 47.40 cents, it quickly becomes clear that organic milk producers are not covering their costs." Only 79 percent of the production costs incurred on the farm are compensated by the price. If producers were to cover all costs, including fair remuneration for their work, they would need to be paid an additional 16.34 cents per kilogramme of organic milk.

Was 2018/19 an outlier?

As highlighted by Klaus Vetter from the German dairy farmers' association (BDM), the study also presents important data about the last five years, in addition to the latest figures: "Even though the organic milk price has maintained a relatively stable average between 47 and 48.5 cents over the last five years, the reality on the ground for farmers has been anything but easy. As the study clearly shows, production costs were an average 64.16 cents per kilogramme, which means that the average cost-coverage shortfall was 16.34 cents. It is, therefore, quite evident that 2018/19 was not an outlier because inadequate cost coverage was characteristic in the preceding five years as well."

According to Peter Guhl, President of the MEG Milch Board, this study, which shall be annually updated henceforth, provides all market stakeholders with important information: "We are very happy to finally have the figures for the organic milk sector – black on white. This study is important for German organic milk producers. Of course, it also shows the dairy industry what costs are incurred during production and what should, at the end of the day, be reflected in the farm-gate price as well." He went on to say that it also shows that in spite of all the differences between conventional and organic production, all dairy farmers are operating with significant cost-coverage shortfalls. This has also been confirmed by a report by the Federal Ministry of Food and Agriculture (BMEL) on the economic situation. It shows that while farm-gate prices for organic milk are higher, the difference in income between conventional and organic dairy farms has been relatively nominal for years now.

All three associations involved in the study also share a common conclusion: "Consumers who make a conscious choice to buy organic products definitely assume that they are supporting cost-covering prices and fair remuneration for organic milk producers with their purchase. This assumption is also widespread in the dairy sector. The study presented today reveals the real conditions and proves that this is unfortunately not the case. Many people want organic milk production to be future-oriented and future-proof. This means that the economic foundation – the organic milk price – must also be laid in such a way that the demonstrated milk price gap can be bridged. Only true cost-covering milk prices can ensure that small-scale organic milk farms can engage in future-proof production and can survive in the long-term."

Background:

The European Milk Board (EMB), the German dairy farmers' association (BDM) and the MEG Milch Board commissioned the Farm Economics and Rural Studies Office (BAL) to analyse the production costs for organic milk. This calculation is representative for the economic situation of 4,800 dairy farmers where milk production is their main activity. Part-time farms and mixed farms specialised in milk production are excluded from the evaluation.

This study is an important complement to the Milk Marker Index, which has been published since 2013, and the cost calculations for conventional milk production in different EU Member States, published by the EMB.

Further information:

<link en milk-production-costs germany.html>www.europeanmilkboard.org/en/milk-production-costs/germany.html

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[Brochure: Organic milk production costs \(in German\)](#)

[Report of the study \(in German\)](#)

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