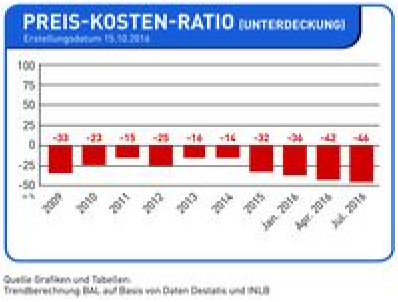
# News Details
# News Details

17.10.2016

## Production cost of 45 cents for one kilogramme of milk




## Recent figures for Germany underline the need for a regular crisis instrument

*Brussels, 17.10.2016:* By providing current and representative cost calculations, the Büro für Agrarsoziologie (BAL) makes a significant contribution to transparency in the dairy sector. For July 2016, the BAL has scientifically calculated an average cost of 45.05 cents to produce one kilogramme of milk in Germany. For the same period, producers were paid 24.40 cents per kilogramme. This means a deficit of over 20 cents or cost coverage of a mere 54% at this milk price.

In other European countries as well, low prices are an ongoing struggle. Producers are currently paid 26,50 cents per kilogramme milk in Belgium, 26,25 in the Netherlands and 30 in France.

### *Lack of coverage due to chronic overproduction*

Calculations in a number of European countries over the years show that costs have regularly been over the 40-cent mark across regions - prices, nonetheless, have been significantly below that with the same regularity. This systematic deficit in cost coverage is the effect of surpluses on the milk market. This began before the end of the quota system where the quotas were abolished in spite of weak demand.

Post the removal of quotas, the lack of an effective crisis instrument led to a further increase in overproduction.

### *Voluntary production cuts make a collective market reaction possible*

The voluntary production cuts introduced this September are the first instrument working at EU level to combat overproduction. The high levels of participation in this programme all across Europe shows that producers are very keen to take up the possibility of receiving financial compensation for producing less. This is sign of two real facts: Prices are so low that producers are even willing to grasp at 14 cents for each litre of reduced milk. Secondly, it clearly shows that EU policy *can* provide effective incentives to induce collective market reactions from producers. There is some light at the end of the tunnel and it illustrates that it is possible to find a way out of a crisis. This ray of hope was very dim in the past because of the ineffectiveness of intervention measures and the 500-million euro aid package as it did not address production volumes.

One cannot deny that the concept of volume reduction has to be part of a regular crisis instrument as well. The EMB's Market Responsibility Programme (MRP) includes this approach. An instrument that continuously works to combat crises and avoid overproduction must be a feature of the CAP. All stakeholders are now fully convinced that reigning in crises is otherwise impossible. It is clear to policymakers, the dairy industry and above all else to milk producers: The current deficit of 46% proven once again by cost studies cannot be the regular state of the sector!

Contacts:

EMB President Romuald Schaber (DE): +49 (0)160 352 4703
EMB Press Office Silvia Däberitz (EN, FR, DE): +32 (0)2808 1936

Download press release (PDF)

<<< back