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Study by German entity BAL reveals real milk production costs in France

Publication of this study on production costs permits progress toward the implementation of the French President's proposals

(Paris, 2 March 2018) In light of the critical situation in the dairy sector, French President Emmanuel Macron announced that henceforth, the milk price will be determined on the basis of production costs. In fact, for years now, milk producers have been operating in a market that does not allow them to cover costs, with prices that are often below even paid production costs, without even considering remuneration for producers – something that is, nonetheless, primordial to ensuring the survival of the sector.

In order to implement President Macron's proposals, it is essential to have up-to-date figures that represent real milk production costs in France. That is why the French dairy producer organisations APLI, OPL, and France Milk Board (FMB) Grand Ouest and Bassin Normand, in collaboration with the European Milk Board (EMB), have commissioned a study on milk production costs with the German Farm Economics and Rural Studies Office (BAL). *"The results of the study published today are unequivocal,"* says Boris Gondouin of APLI. *"We need at least 45.14 cents to cover milk production costs, remuneration included."*

EMB President Romuald Schaber explains the importance of this study: *"Up-to-date, representative figures on production costs are key. They should serve as the basis for political discussions and to calculate the milk price."* In fact, with an average milk price of 33.91 cents per kilogram milk over the last five years implies that the shortfall in terms of production cost coverage has been 27 per cent. Even in 2017, where there was some recovery of milk prices, producers were still short by 10.72 cents per kilogram to cover their production costs and to receive fair remuneration for their work. In 2016, this shortfall rose to 14.31 cents per kilogram of milk produced.

"Now that we have these figures, work can continue," says Denis Jehannin, vice-president of the transversal producers' organisation FMB Grand Ouest. *"We can refer to these figures during price negotiations with the industry."* For Joseph Martin, representative of OPL, it is now necessary to find concrete solutions. *"We call on political representatives to implement an adequate framework that would finally make viable producer prices a reality. Together with policy-makers and other sectoral representatives, we should find the appropriate solutions to ensure the future of the sector,"* he continues.

The BAL studies, which include production cost studies for other key milk-producing countries in Europe, are available here:

<http://www.europeanmilkboard.org/en/milk-production-costs.html>

In terms of a crisis management instrument, the EMB and its member organisations propose the implementation of the Market Responsibility Programme (MRP), which would help counteract crises. You can find more detailed information on this Programme here: <http://www.europeanmilkboard.org/en/special-content/market-responsibility-programme.html>

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