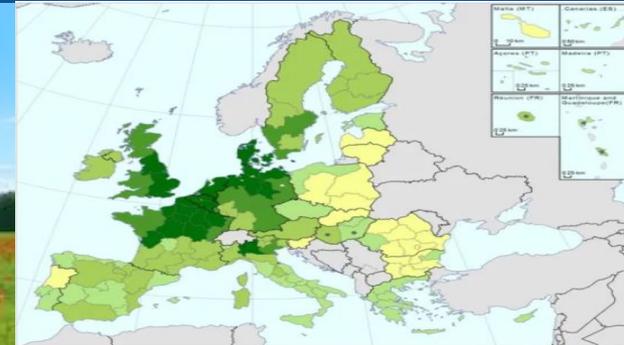


Update on production costs and profitability at farm level

CDG Milk
26 February 2021

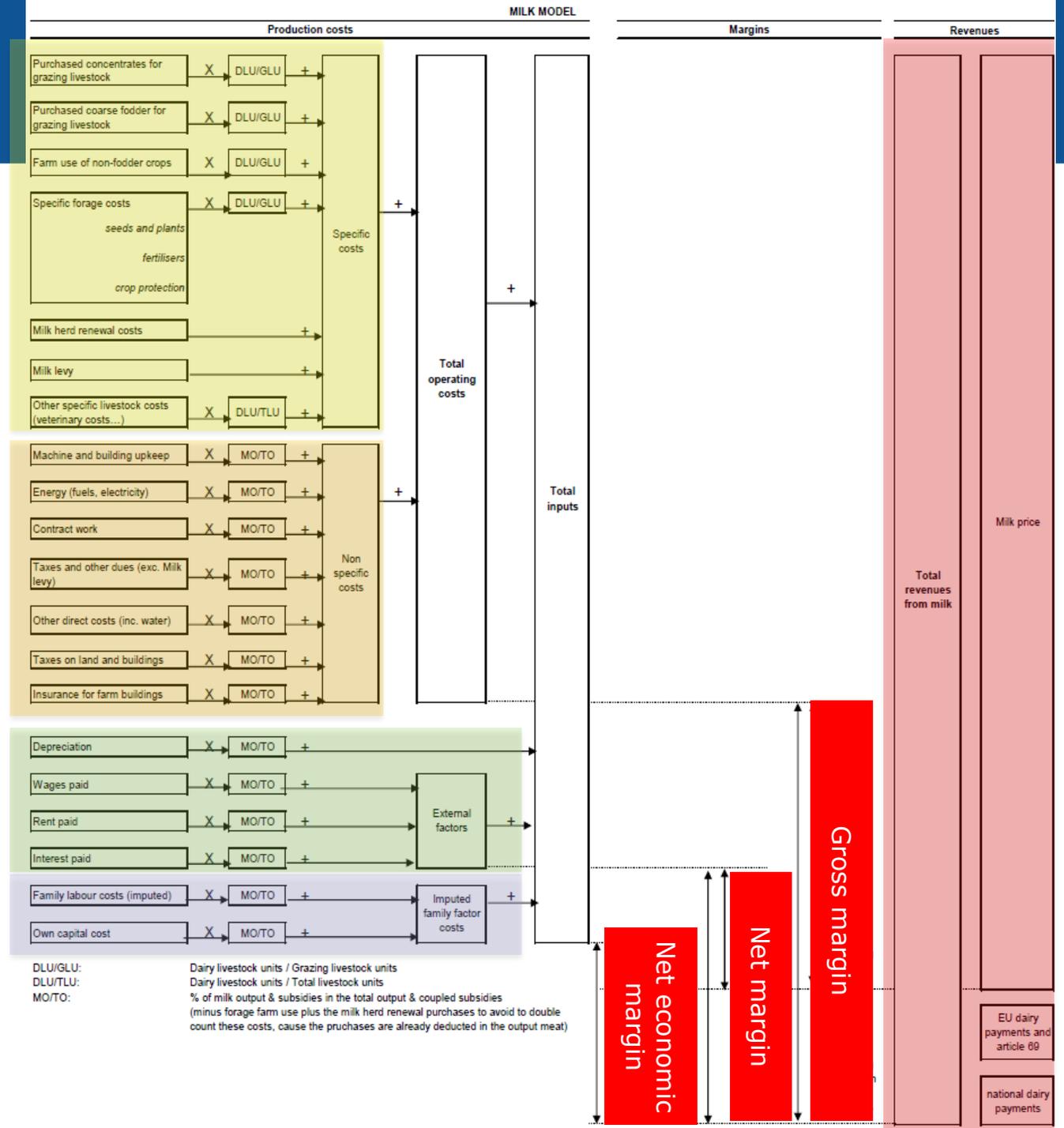


Introduction



- **Based on:**
 - **EU milk margins index estimate up to 2020**
https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/agri-farm-economics-milk-margin-estimate-2020_en.pdf
 - **MMO** https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/eu-milk-prices-margins_en.pdf
 - **EU dairy farms report based on 2018 FADN data (coming up soon on europa.eu)**
 - **EU dairy farms dashboards on AGRI food data portal (coming up soon)**
- **Source → farm accountancy data network (FADN) and EUROSTAT indices**
- **Milk specialised farms**
- **Method → to allocate costs and revenues to milk and estimated N-1 and N**

FADN methodology for milk model

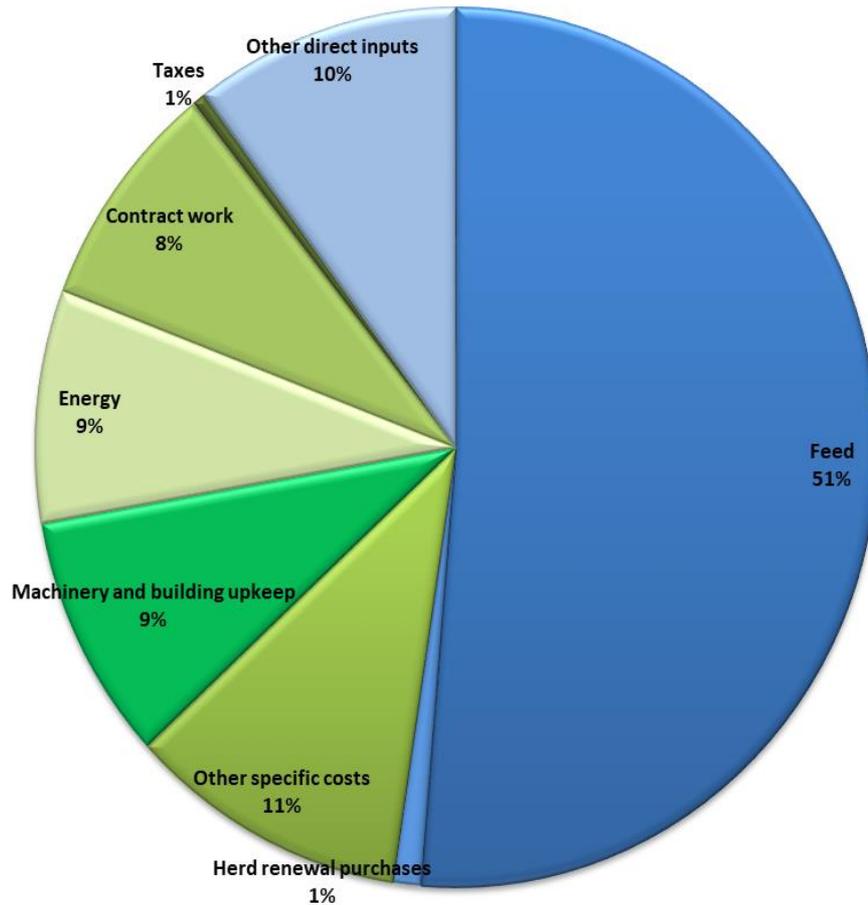


Structural information

Year	Member State	2008	2018	Δ 2018/2008
Sample Farms	EU-28	15 241	14 397	-6%
Farms represented	EU-28	750 719	455 581	-39%
% production from specialised farms	EU-28	89%	93%	5%
Forage area - ha	EU-28	26	40	56%
Dairy cows - LU	EU-28	26	45	69%
Total labour - AWU	EU-28	1.9	2.0	1%
Milk yield - kg/cow	EU-28	6 486	7 390	14%
Milk production - t	EU-28	171	329	92%

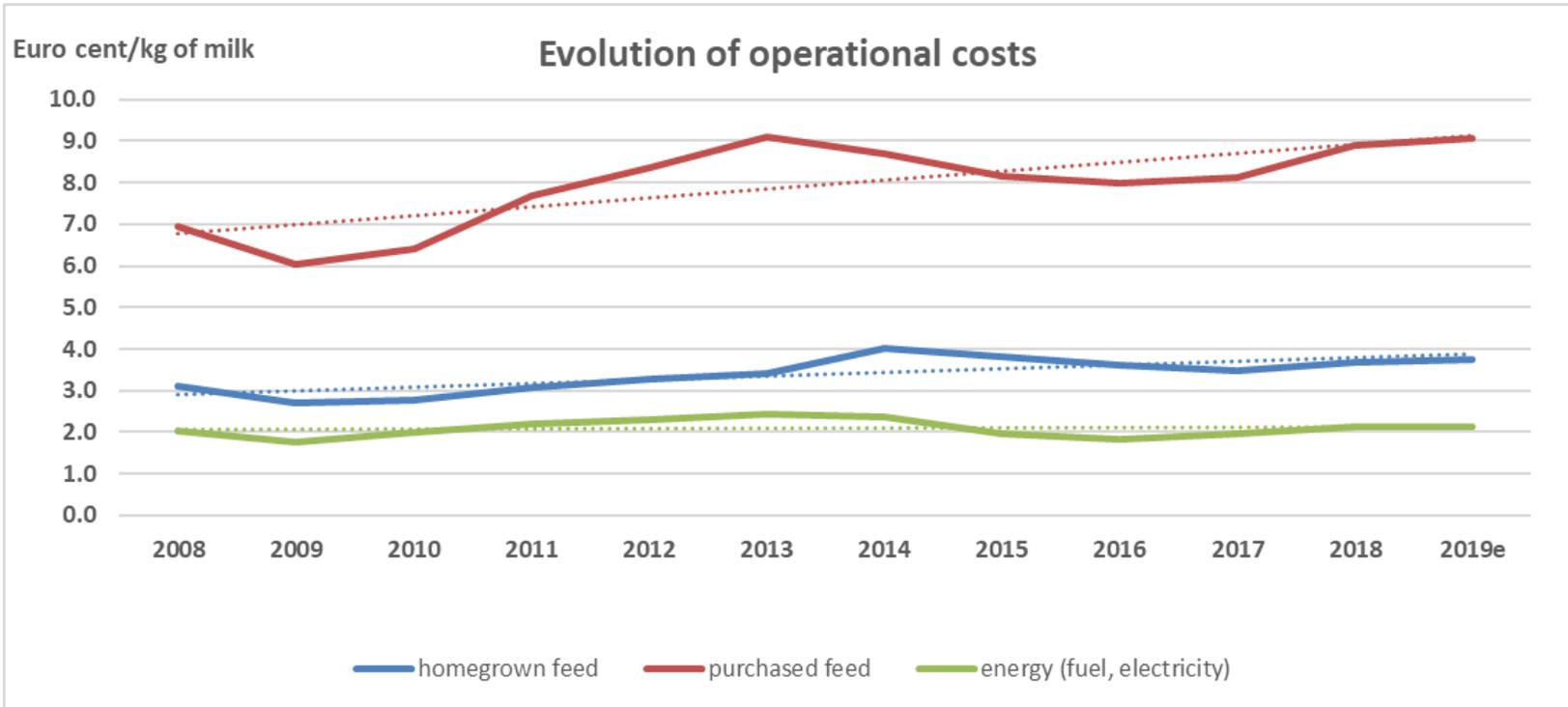


Total operating costs 2019e



	<i>in €cent/kg</i>
Specific costs	15.6
Feed	12.7
Herd renewal purchases	0.3
Other specific costs	2.7
Non-specific costs	9.1
Machinery and building upkeep	2.3
Energy	2.1
Contract work	2.1
Taxes	0.1
Other direct inputs	2.5
Total Operating costs	24.8

	Δ 2019/2008	Av. Annual Δ
Feed	27%	2.5%
Energy	5%	0.9%

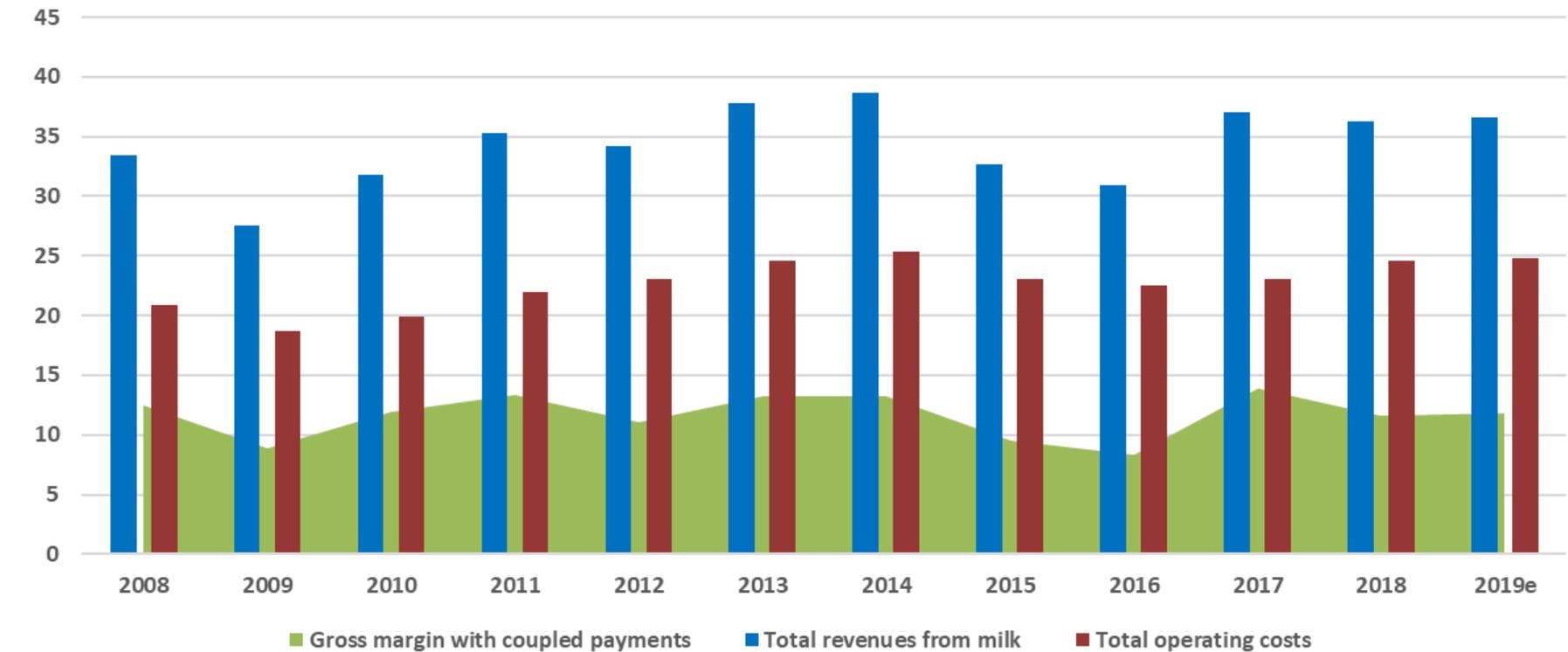




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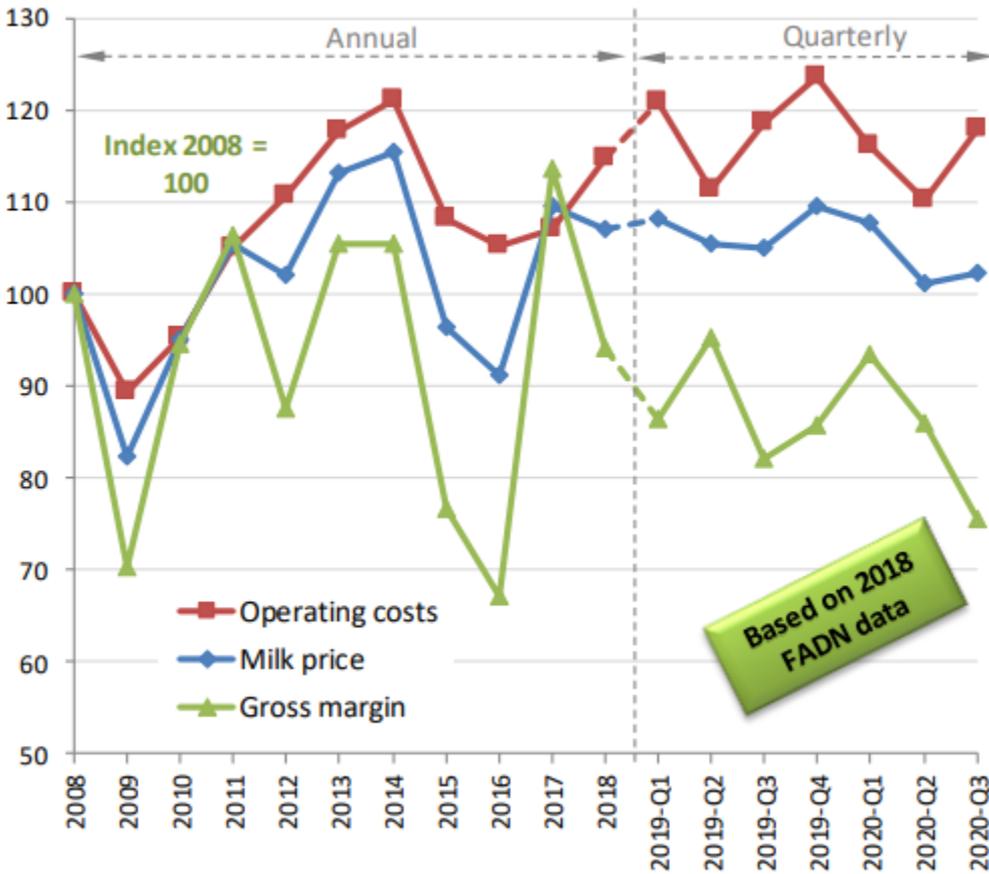
Revenues, costs and gross margin in EU-28

€ cents/kg of milk



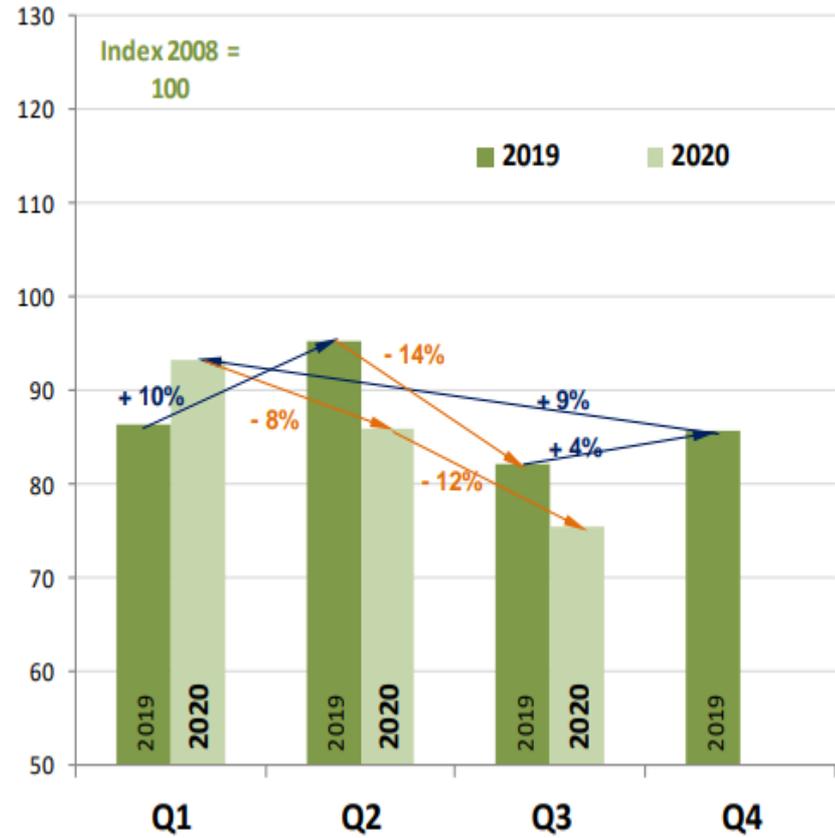


EU Milk price, operating costs and margin per tonne



Source : FADN (base year 2018) + indexes (Eurostat, DG AGRI)

Estimation of EU Gross margin

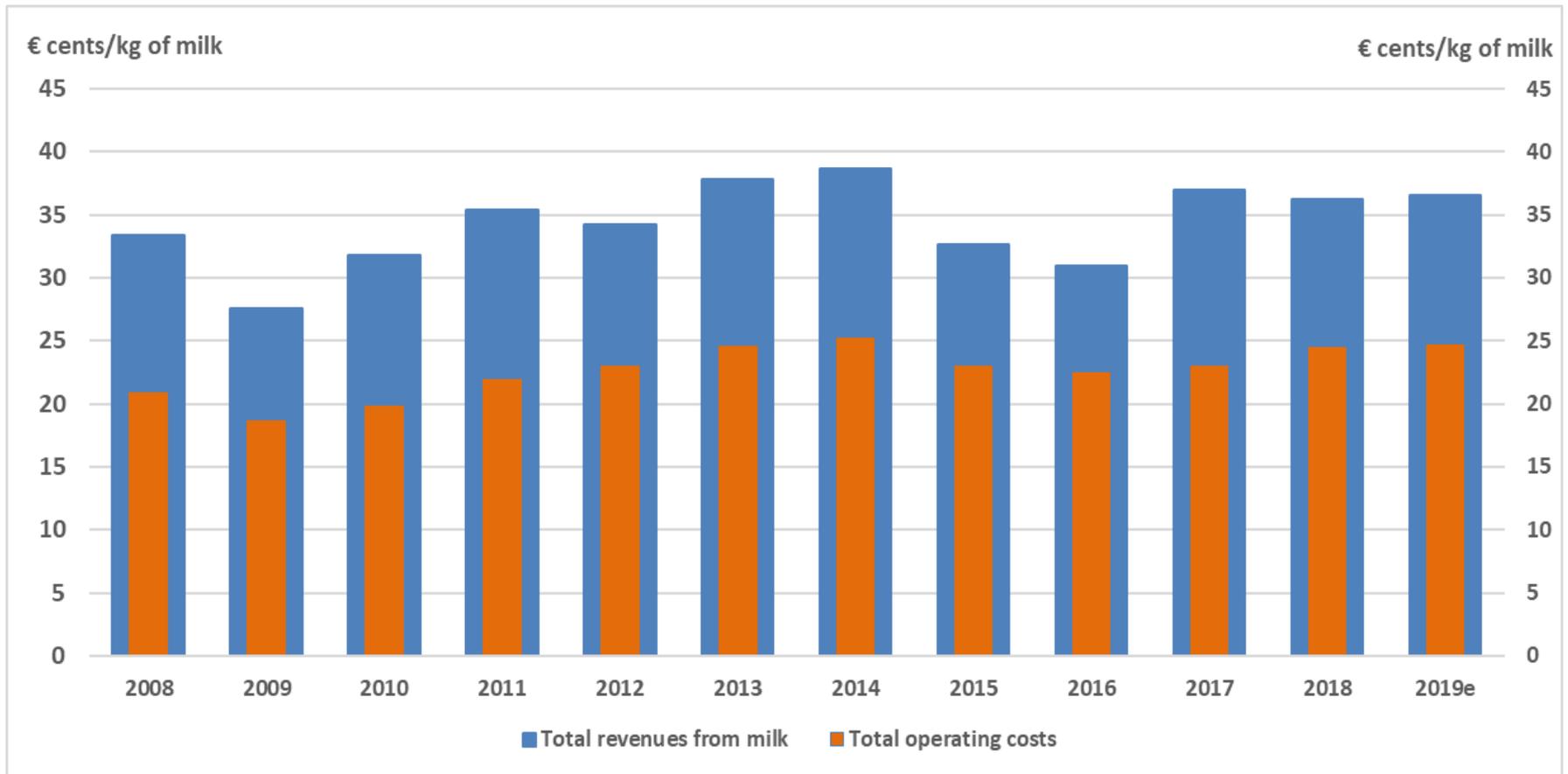


Source : FADN (base year 2018) + indexes (Eurostat, DG AGRI)

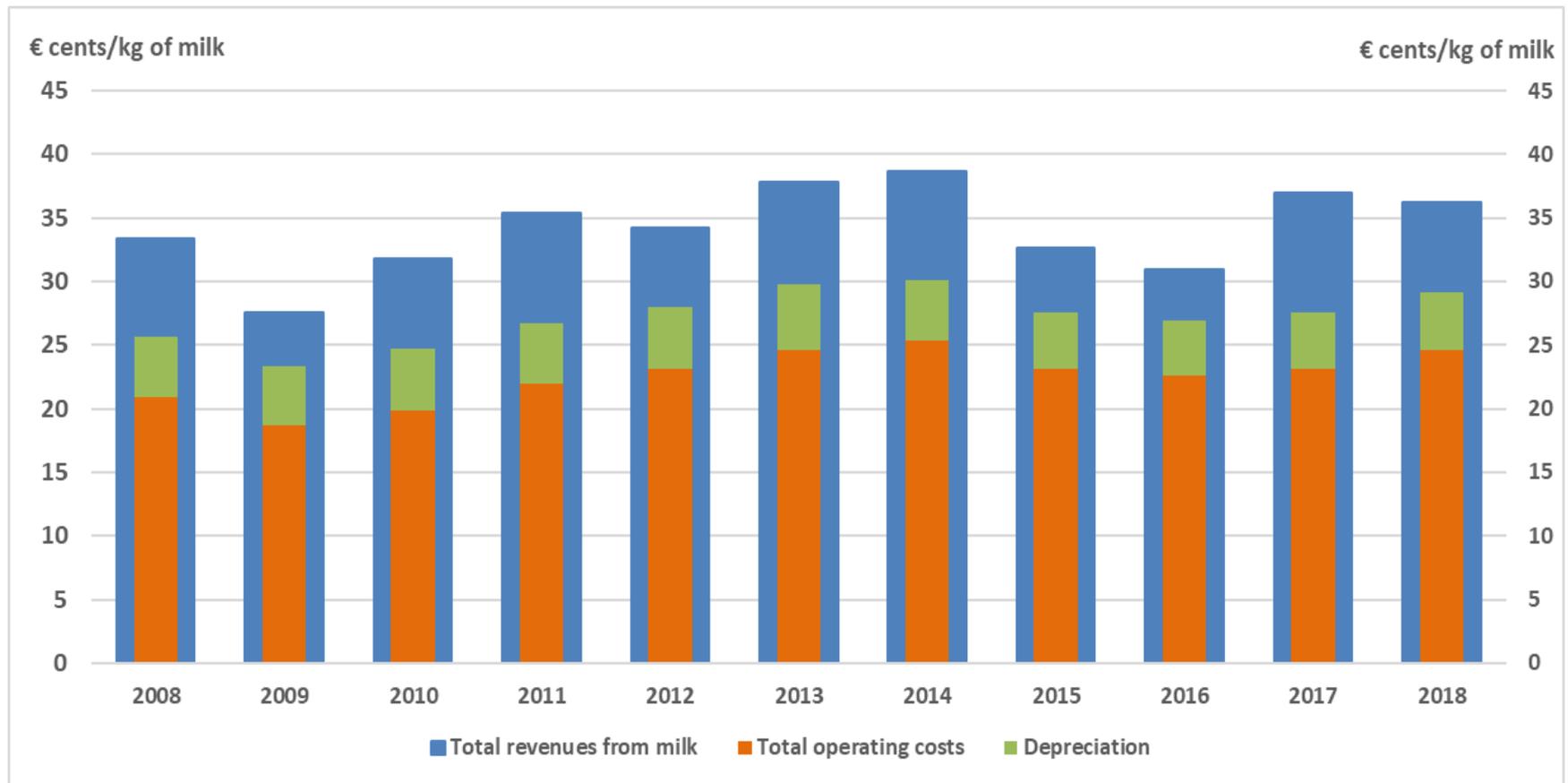


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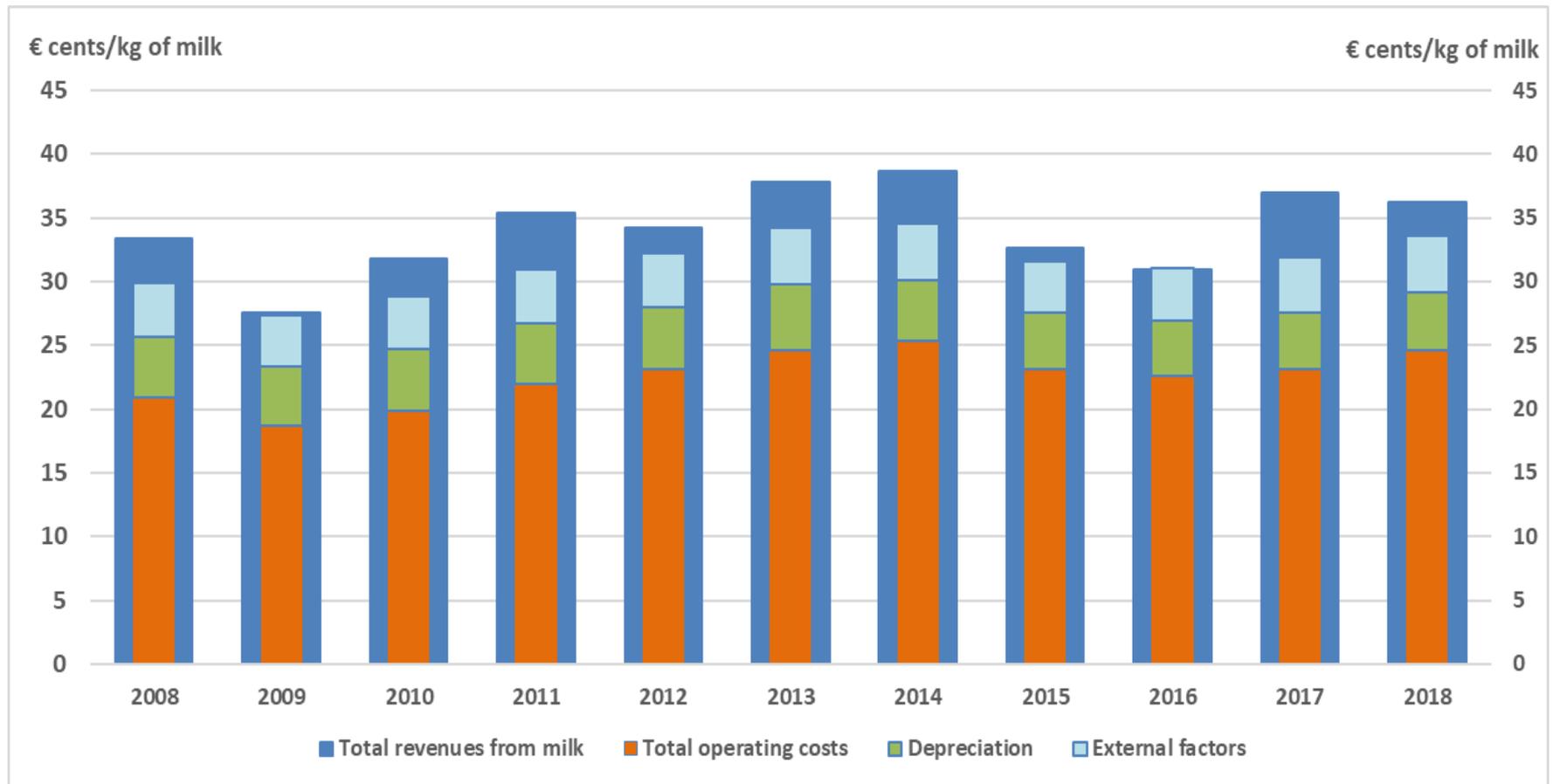
Evolution net economic margin



Evolution of net economic margin



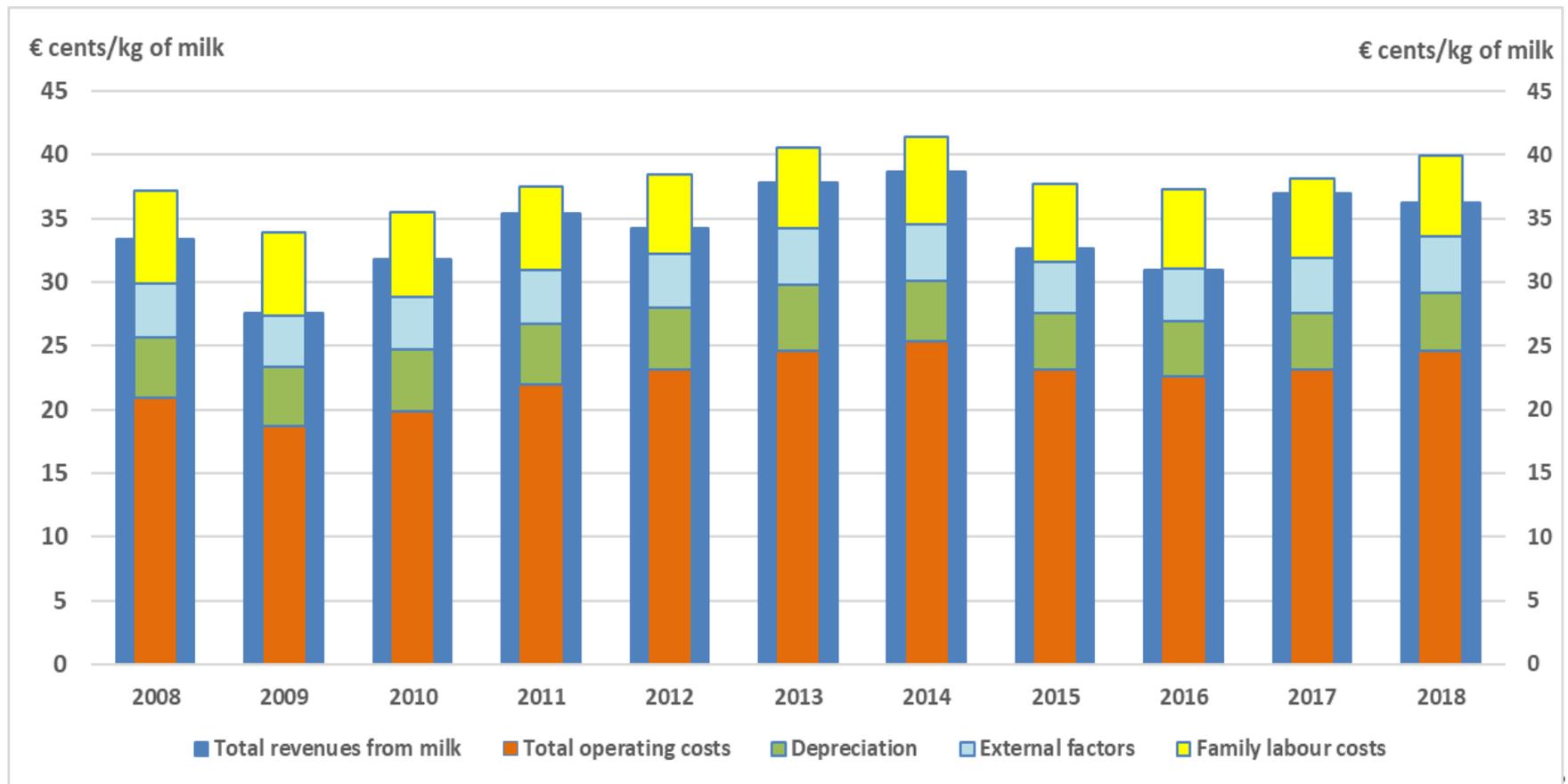
Evolution net economic margin



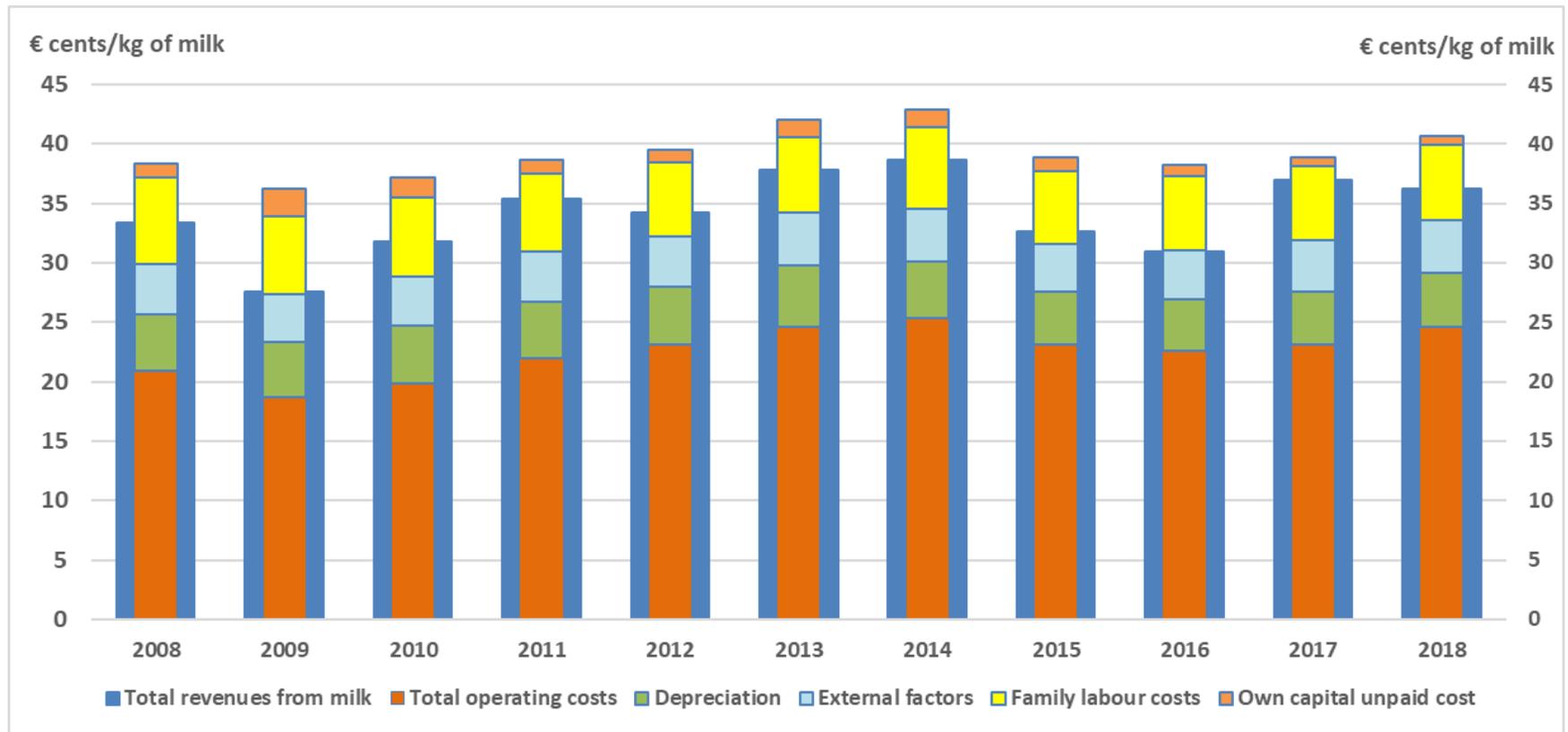


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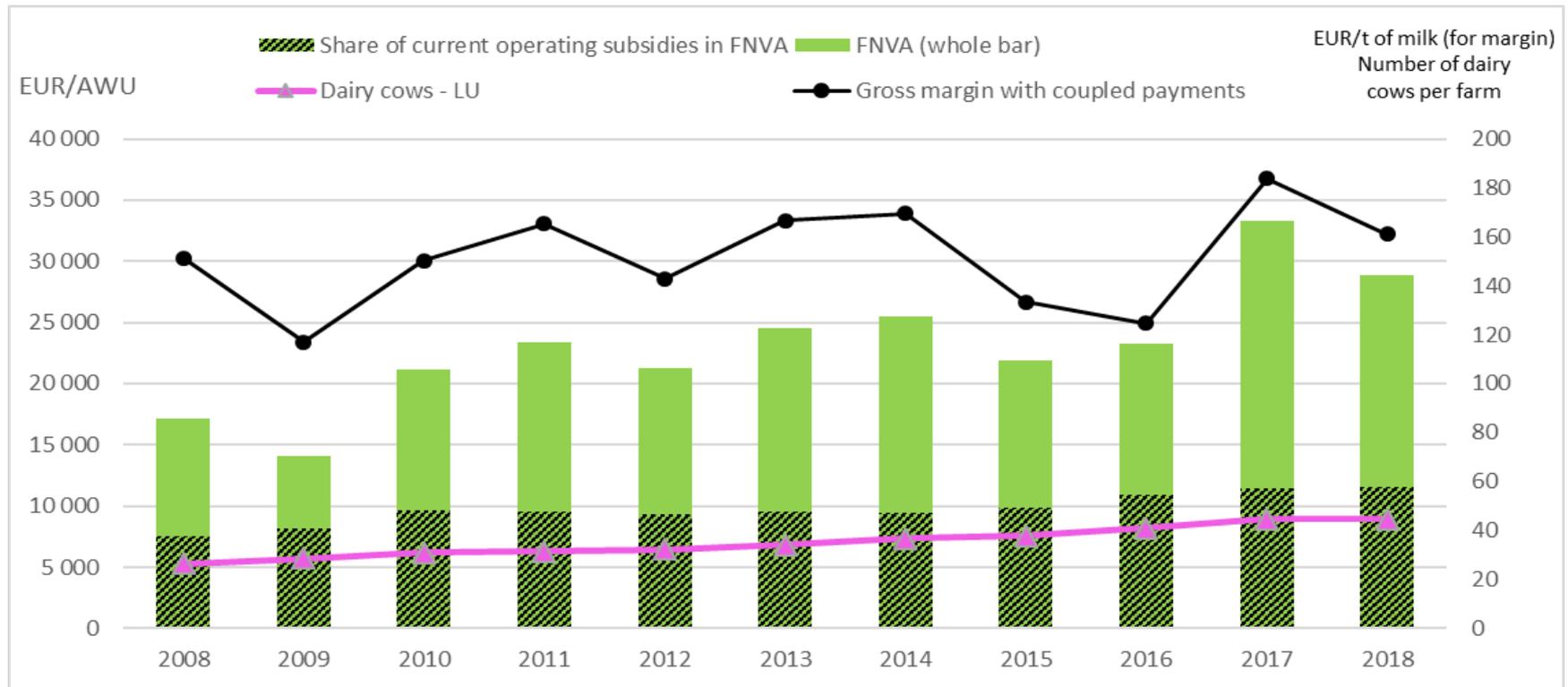
Evolution net economic margin



Evolution net economic margin



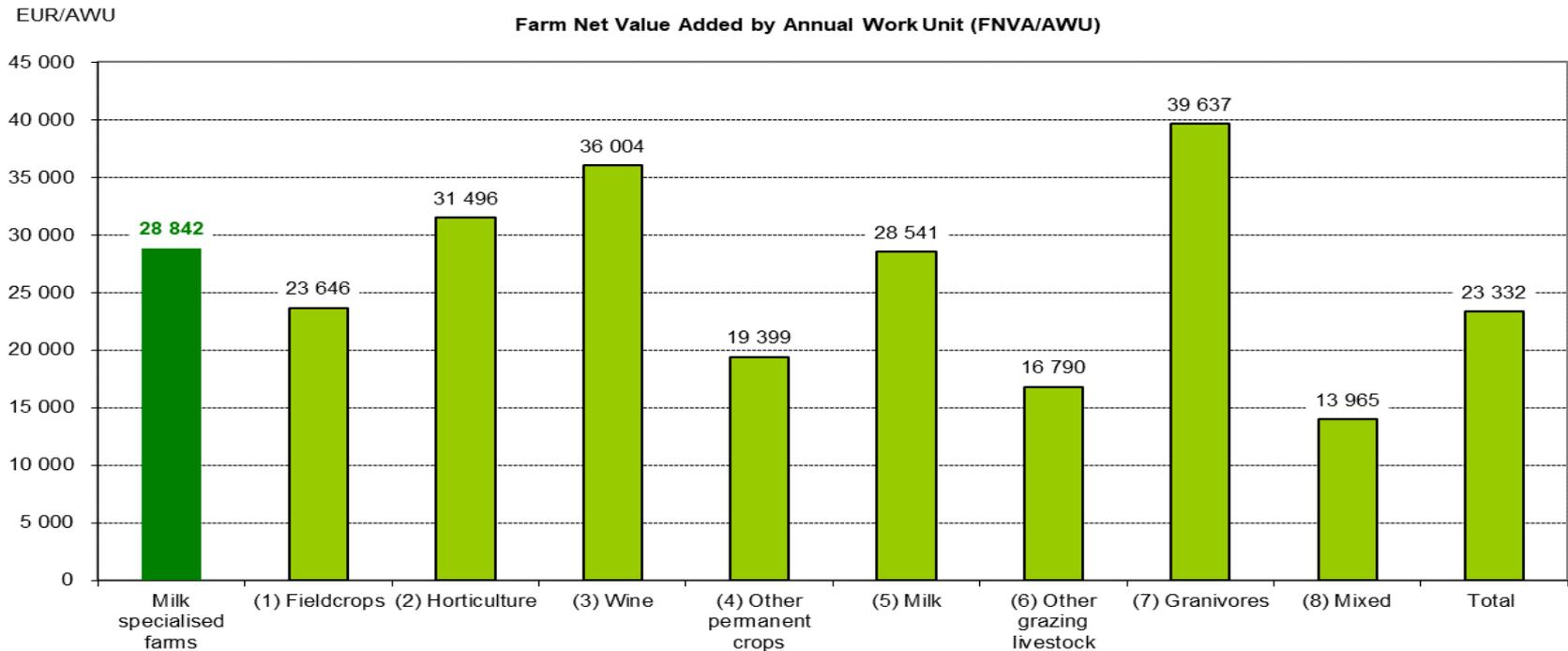
Evolution of FNVA per worker in EU-28





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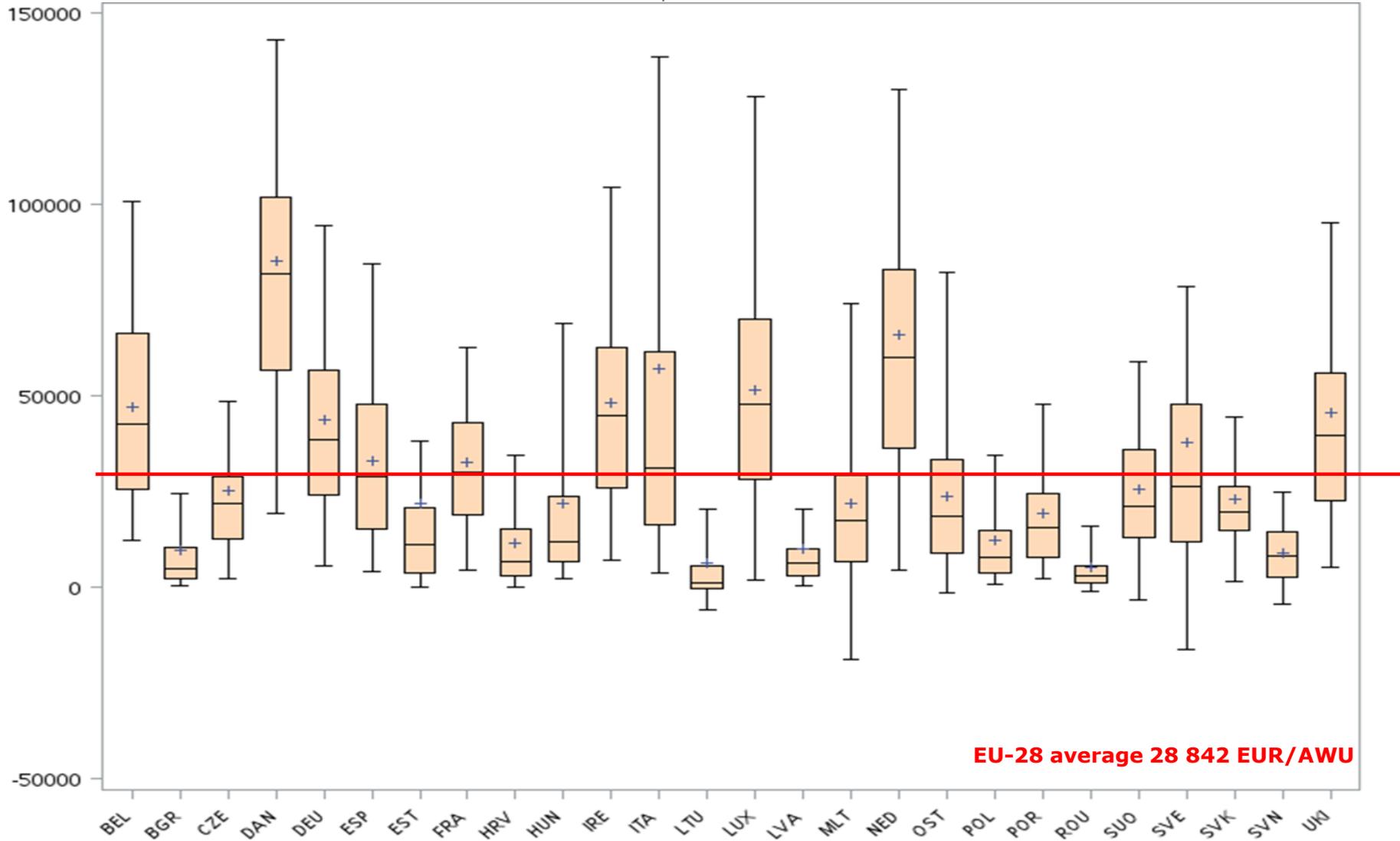
FNVA/AWU by sector of farming



FNVA/AWU by MS in 2018

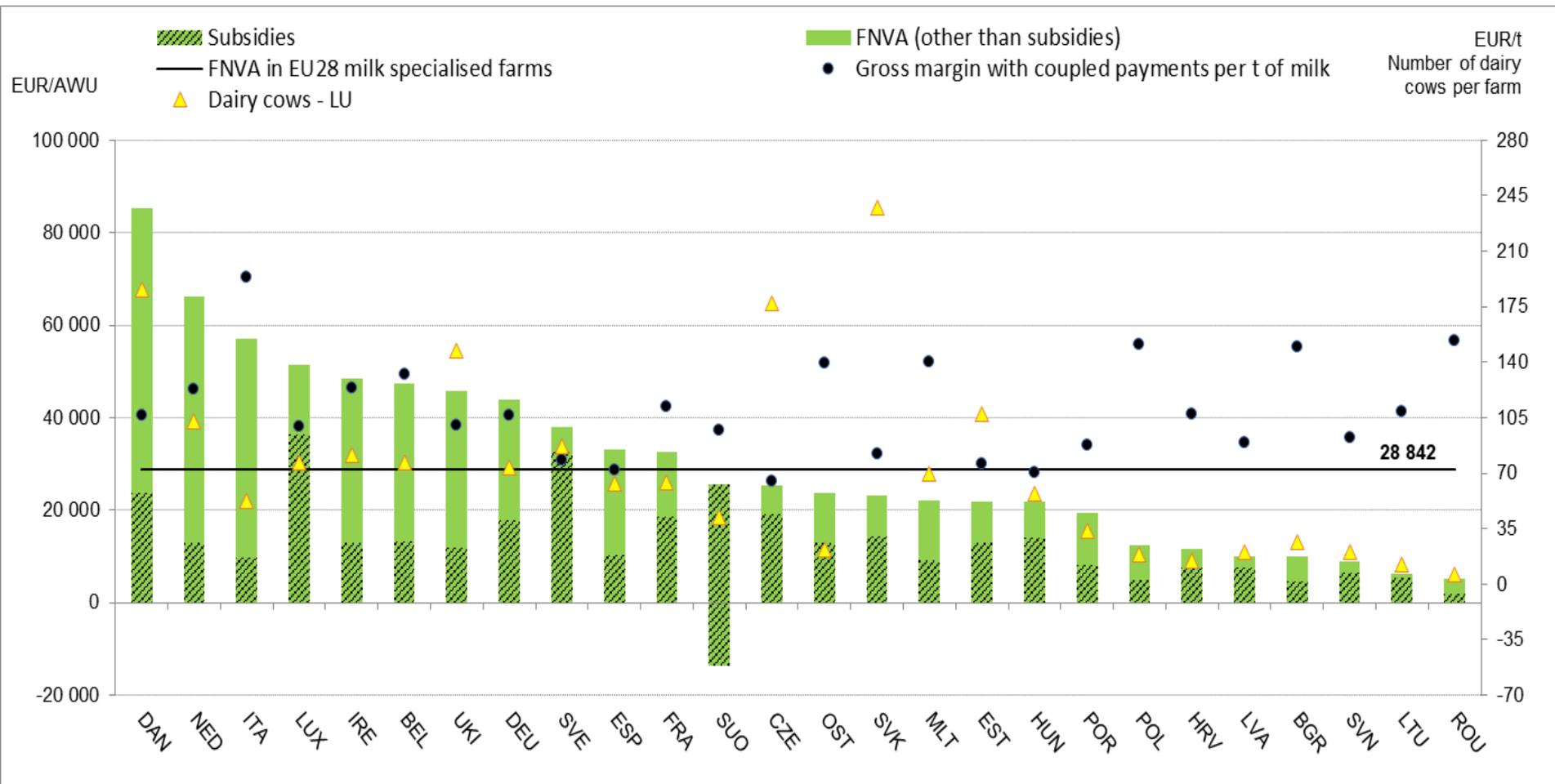


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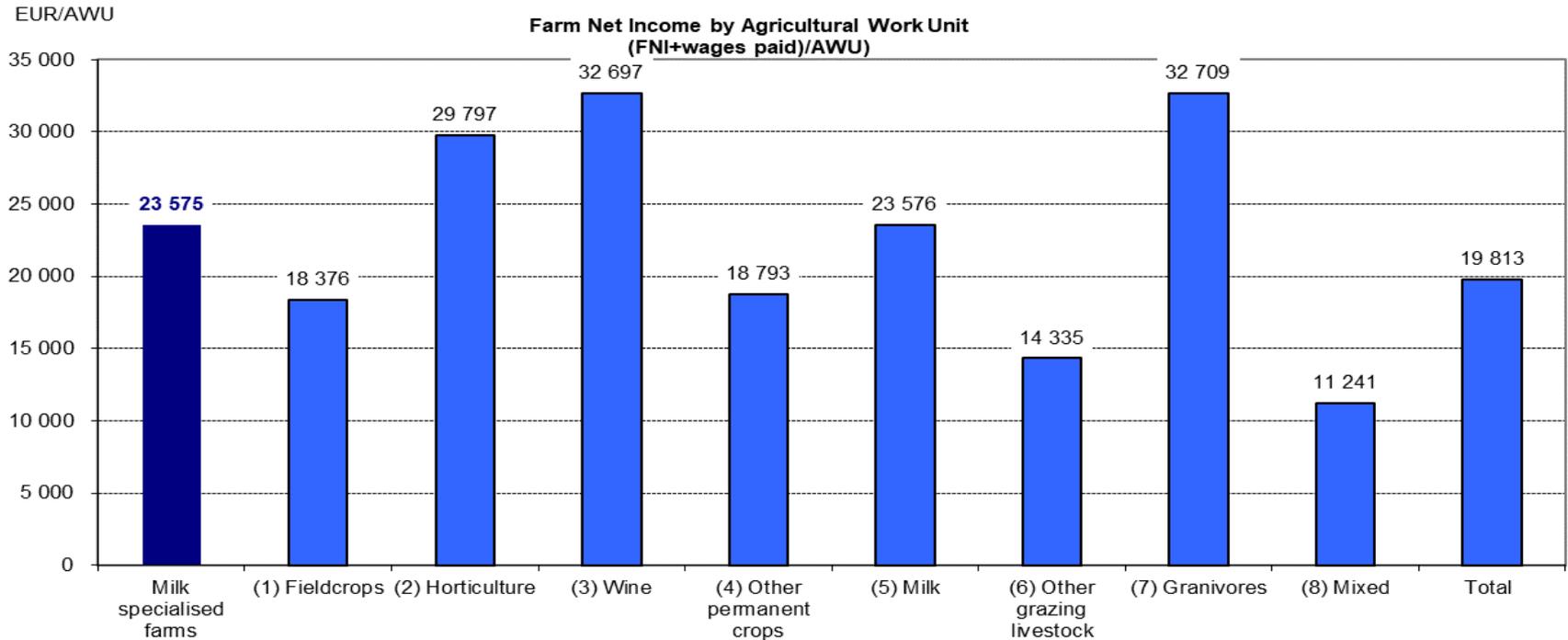


EU-28 average 28 842 EUR/AWU

Income indicators in EU-28 in 2018



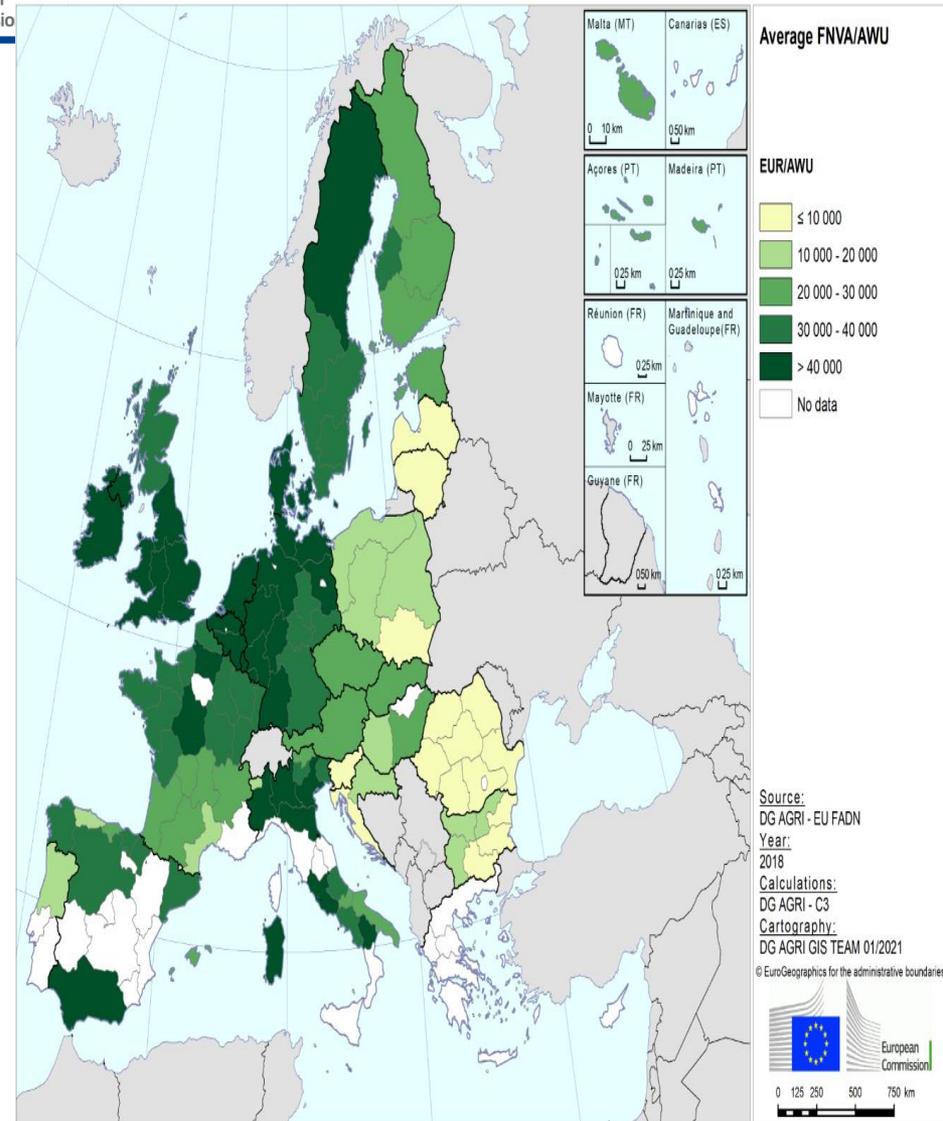
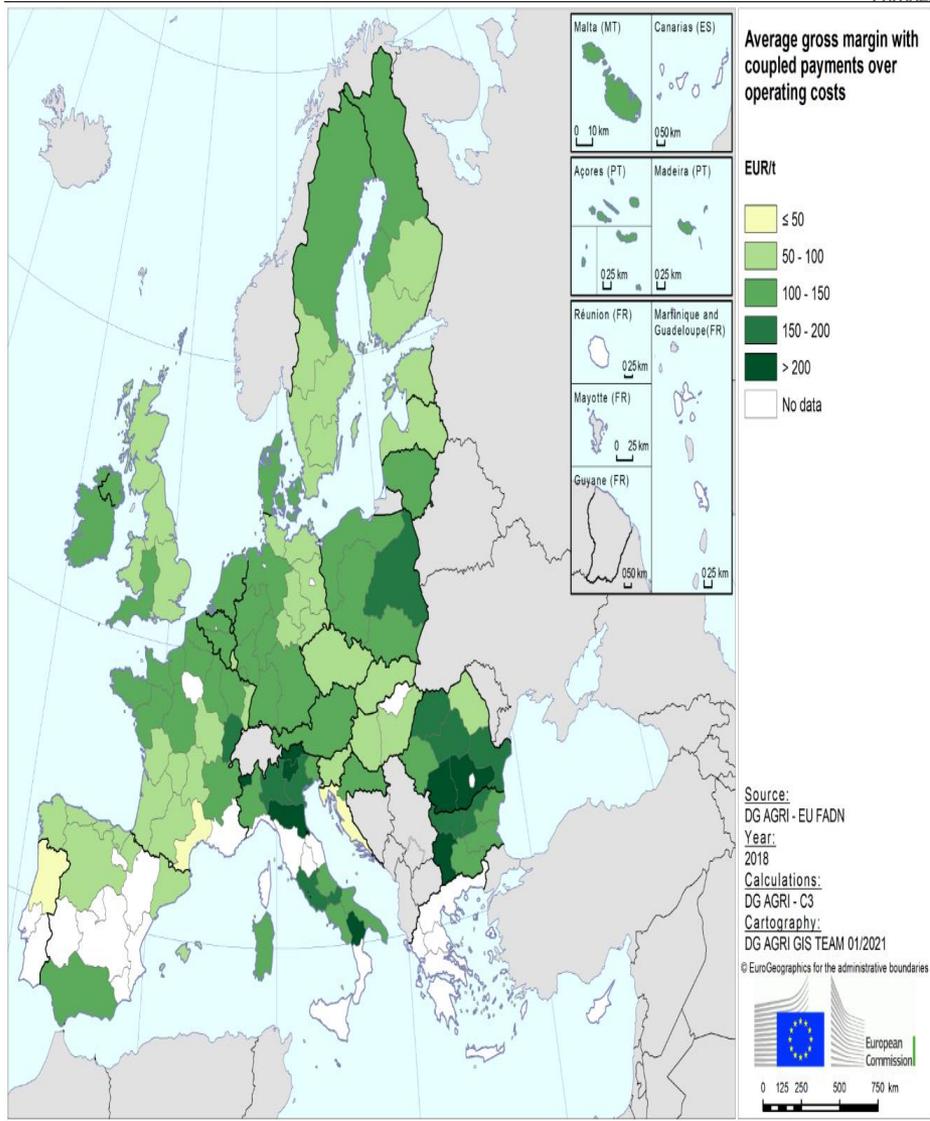
Farm net income in EU-28 by sector



Gross margin



Income/AWU



Conclusions

- Profitability of milk production in the EU was rather good in 2018, though not exceptional
- 2017 marked as the best in the last decade for milk producers with the highest margins and incomes. The margins dropped in 2018 and in 2019 remained at similar level. In 2020 further deterioration in margins can be expected which will probably influence drop in incomes as well

Thank you for your attention!

Questions? Comments?