



European Dairy Farmers

Press information on EDF Cost of Production Comparison 2010, 23 June 2010:

European dairy farms after the 2007/08 price boom

The EDF Cost of Production Comparison is conducted annually to benchmark European dairy farms according to their costs, returns and results. In 2010 280 farms provided farm data for the EDF Cost of Production Comparison. That meant an increase in participation compared to 2009. Participating farms joined from 18 European countries. In addition a farm from Australia took part for the first time. Farms from the Netherlands, Germany, Poland, France and Spain (more than 20 farms per country) account for more than 50 percent of the sample. The sample also includes 11 organic farms.

264 dairy farms in CoP analysis

Different accounting periods among the participating EDF farms along with fluctuating milk prices make it difficult to compare farm results. Thus, for the CoP analysis presented at the annual EDF Congress in Saluzzo 264 farms were selected according to their accounting period. The beginning of the accounting period of the selected farms had to be between the 2nd quarter of 2008 and the 1st quarter of 2009. In this sample of 264 farms, the average herd size was 210 dairy cows per farm. The farms milked approximately 7,860 kg ECM¹ per cow per year. Both figures were of wide range: herd size varied from 15 to 1,588 cows, cows' milk yield from 2,500 to 11,616 kg ECM. Many farm types and sizes are represented in the EDF comparison, but the average EDF farm differs from averages of national statistics.

Economic framework conditions

The dairy situation reflected in the analysis of the 2008/09 farm data was characterised by falling milk producer prices all over Europe. Input prices also decreased with some exceptions: prices for soya products remained high. The currencies of non-EURO EDF countries (CZK, PLN, GBP, SEK, UAH) devaluated compared to the EURO. This "increased" the relative competitiveness of these countries compared to the EURO area.

EDF results at a glance

Due to low milk prices (Ø 28.2 EUR ct/kg ECM) EDF farms achieved total returns² of only Ø 33.9 EUR ct/kg ECM in the dairy enterprise. After charging returns with the production costs³ in the dairy enterprise, which remained at high level (Ø 41.8 EUR ct/kg ECM), the average EDF farm had to cope with an entrepreneurial loss in the latest analysed period. Not considering decoupled public payments the loss amounted to about -7.9 EUR ct/kg ECM. Including decoupled payments of about 3.5 EUR

¹ ECM, energy-corrected milk, 4.0 % fat, 3.4 % protein

² Total returns include milk and animal returns, public payments (coupled) and other returns related to dairy enterprise

³ Total costs including costs for dairy related non-milk returns

ct/kg ECM the entrepreneurial loss averaged at - 4.5 EUR ct/kg ECM. Few farms (about 14 %) were able to finish the accounting period with an entrepreneurs profit. On average about 34.8 EUR ct/kg would have been necessary to achieve full cost recovery (break-even-point II, without milk quota costs). Return to labour was very low in the EDF farms at Ø 0.2 EUR ct/hour.

Economic farm development in 4-years time series

A time-series analysis was carried out based on 101 long-term EDF farms (dominated by German and Dutch EDF farmers) that have been providing data over the last four years. The analysis of the long-term EDF farms shows that total returns and costs of the dairy enterprise have changed remarkable over last four accounting periods: Highest total returns were calculated for the previous analysed period (2007/08). Total costs were high in the last as well as in the currently analysed period (2007/08 and 2008/09). But it seems that costs have not increased further, since input prices have been decreasing as well as due to adaptations in production intensity. The raise in cost has been especially caused by increased direct costs - mainly feedstuff and fertilizer. On the other hand milk quota costs have decreased over the last four years. In total the break-even-point II has gone up since the 2005/06 period (Ø + 6.1 EUR ct/kg ECM), now averaging at 33.7 EUR ct/kg ECM in the 101 long-term EDF farms.

Farmers' reactions in terms of herd size and milk deliveries

The majority of the long-term EDF farms have increased herd size over the last 4 years, especially in the 2007/08 period (> 75 % of the farmers). Also milk deliveries have gone up. In the 2006/07 period and in particular in the 2007/08 period more than 60 % of the long-term EDF farms raised their milk output. In the latest analysed period 2008/09 this development slowed down. Farmers increasing and reducing deliveries were in balance in this period. Slightly different developments, in terms of production and farm economics, can be seen in some national EDF groups.

Imbalances in input and output

When focussing on costs per cow instead of costs per kg it becomes clear that the more successful EDF farms had lower total costs per cow. Only few farms were able to balance high costs per cow with an adequate milk yield to achieve a break-even-point II below the EDF average - the majority of farms did not. The EDF Congress 2010 will provide an opportunity for dairy experts to discuss about the reasons for different success in milk production.

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