

Connecticut Milk Cost of Production Estimates for April, May, and June 2016

Prepared for the Connecticut Commissioner of Agriculture
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Milk prices for Connecticut farmers continued to stay under \$15/cwt during the second quarter of 2016. Meanwhile, the cost of production increased an average of \$1.46/cwt, to an average total cost of \$32.01/cwt for the quarter. The increase in costs is primarily due to increases in purchased feed costs. As a result of low prices and increasing costs, the average shortfall of prices minus the minimum sustainable cost per cwt was on average \$11.49/cwt. Thus we continue to see a need for continuing payments to Connecticut dairy farmers under Public Act 09-229. Looking forward, the continued surplus supply has lead the northeast federal milk order to extend temporary dumping through the middle of the third quarter of 2016. While this should help milk prices recover some entering the second half of the year, forecasts continue to indicate depressed prices relative to the cost of production. Therefore, the continued gap between the statistical uniform price and the minimum sustainable cost of production results in financial stress to Connecticut dairy farmers absent Public Act 09-229.

2016 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	April	May	June	Quarter 2 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$29.83	\$32.19	\$34.01	\$32.01
Minimum Sustainable Cost of Production				
Connecticut	\$24.46	\$26.40	\$27.89	\$26.25
Statistical Uniform Price				
Hartford, CT	\$14.75	\$14.63	\$14.91	\$14.76
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	-\$9.71	-\$11.77	-\$12.98	-\$11.49

Source: 2012 CT DFBS Survey with annual updates. Minimum Sustainable Cost of Production is 82% of the Total Cost of Production. Statistical Uniform Price is from the USDA Federal Milk Order No. 1 (<http://www.fmmone.com>).

For details on the methodology used to compute the Connecticut milk cost of production please see Zwick Center Outreach Report No. 13 available at: <http://zwickcenter.uconn.edu>.

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