

Connecticut Milk Cost of Production Estimates for April, May, and June 2017

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
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In the second quarter of 2017, milk prices for Connecticut farmers declined to \$16.71/cwt, \$0.95/cwt lower than in the previous quarter. Over the same period, the cost of production decreased slightly, to \$30.26/cwt, \$0.60 lower than in the previous quarter. The decrease in cost of production was driven largely by a continued fall in the cost of purchased feed per hundredweight of milk, which fell by \$0.46/cwt. Labor and management costs per hundredweight of milk also fell by \$0.24/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was \$8.10/cwt. This is a somewhat larger shortfall than in the previous quarter. Thus, we see a need for continuing payments in the future to Connecticut dairy farmers under Public Act 09-229.

Looking ahead, national milk prices are expected to rise somewhat through the remainder of 2017. Feed prices and other input prices are expected to remain fairly stable. Given the large shortfall for Connecticut dairy producers, the minimum sustainable cost of milk production should continue to greatly exceed the price of milk for the remainder of the year. Given these expectations about the national dairy market and input prices, it is expected that Connecticut dairy farmers would face additional financial pressure in the absence of payments under Public Act 09-229.

2017 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	\$30.03	\$29.91	\$30.84	\$30.26
Minimum Sustainable Cost of Production				
Connecticut	\$24.62	\$24.53	\$25.29	\$24.81
Statistical Uniform Price				
Hartford, CT	\$16.29	\$16.41	\$17.43	\$16.71
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	\$8.33	\$8.12	\$7.86	\$8.10

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, please see Zwick Center Outreach Report No. 13 available at: <http://zwickcenter.uconn.edu/documents/or13.pdf>.

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