

Zwick Center for Food and Resource Policy

Outreach Report No. 53

**Connecticut Milk Cost of Production Estimates
for July, August, and September 2018**

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
by John Bovay, Assistant Professor and Extension Economist
Department of Agricultural and Resource Economics
University of Connecticut
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Charles J. Zwick Center for Food and Resource Policy
Department of Agricultural and Resource Economics
College of Agriculture and Natural Resources
1376 Storrs Road, Unit 4021
Storrs, CT 06269-4021

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In the third quarter of 2018, milk prices for Connecticut farmers rose to \$16.25/cwt, \$0.25/cwt higher than in the previous quarter. Over the same period, the cost of production rose to \$31.75/cwt, \$1.98 higher than in the previous quarter. The increase in cost of production was driven by an increase in cost of labor and management per hundredweight of milk, which rose by \$0.76/cwt, and in the cost of purchased feed per hundredweight of milk, which rose by \$0.34/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was \$9.78/cwt, about 16 percent higher than in the previous quarter. This shortfall represents a substantial burden to milk producers. 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 remain low in the near future due to reduced export demand, a consequence of the ongoing trade war with China and recent retaliatory tariffs imposed by Mexico and Canada. At the same time, feed prices are expected to remain high. 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 2018 and into 2019. 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.

2018 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	July	August	September	Quarter 3 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$31.97	\$32.22	\$31.06	\$31.75
Minimum Sustainable Cost of Production				
Connecticut	\$26.21	\$26.42	\$25.47	\$26.03
Statistical Uniform Price				
Hartford, CT	\$16.04	\$16.11	\$16.61	\$16.25
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	\$10.17	\$10.31	\$8.86	\$9.78

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>). Values rounded to nearest cent per hundredweight.

For details on the methodology used, please see Zwick Center Outreach Report No. 13 available at: <http://zwickcenter.uconn.edu/documents/or13.pdf>.

Please contact Prof. John Bovay at john.bovay@uconn.edu or (860) 486-2740 with any questions.