

Connecticut Milk Cost of Production Estimates for October, November, and December 2016

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
by John Bovay, Assistant Professor and Extension Economist
University of Connecticut
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In the fourth quarter of 2016, milk prices for Connecticut farmers remained around the same level as in the previous quarter, at \$16.65/cwt. Over the same period, the cost of production decreased by \$0.96/cwt, to \$33.29/cwt. The decrease in cost of production was driven by a decrease in the cost of purchased feed, which was exceptionally high in July and August 2016. The monthly average shortfall—price minus the minimum sustainable cost—was \$10.65/cwt. This is a slightly smaller shortfall than the previous two quarters. 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 in 2017. Feed prices and other input prices are expected to remain fairly stable. Although these factors are expected to reduce the shortfall, the minimum sustainable cost of milk production should continue to greatly exceed the price of milk. 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.

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

	October	November	December	Quarter 4 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$33.44	\$33.39	\$33.04	\$33.29
Minimum Sustainable Cost of Production				
Connecticut	\$27.42	\$27.38	\$27.10	\$27.30
Statistical Uniform Price				
Hartford, CT	\$16.13	\$16.24	\$17.58	\$16.65
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	\$11.29	\$11.14	\$9.52	\$10.65

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>.

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