

Connecticut Milk Cost of Production Estimates for January, February, and March 2017

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
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In the first quarter of 2017, milk prices for Connecticut farmers rebounded, rising to \$17.66/cwt, \$1.01/cwt higher than in the previous quarter. Over the same period, the cost of production decreased sharply, to \$30.86/cwt, \$2.43 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 \$1.15/cwt. Labor and management costs per hundredweight of milk also fell by \$0.62/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was \$7.65/cwt. This is a somewhat smaller shortfall than in the previous 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 fall somewhat through the remainder of 2017. Feed prices and other input prices are expected to remain fairly stable. Taken together, these factors mean that 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.

2017 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	January	February	March	Quarter 1 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$31.52	\$30.67	\$30.41	\$30.86
Minimum Sustainable Cost of Production				
Connecticut	\$25.84	\$25.15	\$24.94	\$25.31
Statistical Uniform Price				
Hartford, CT	\$18.11	\$17.67	\$17.20	\$17.66
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	\$7.73	\$7.48	\$7.74	\$7.65

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>.

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