

Connecticut Milk Cost of Production Estimates for July, August, and September 2016

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
by John Bovay, Assistant Professor and Extension Economist
University of Connecticut
November 12, 2016

Milk prices for Connecticut farmers rebounded to \$16.66/cwt in the third quarter of 2016, the highest monthly average price since the fourth quarter of 2015. A dumping policy available to producers under the Northeast region's federal milk marketing order helped somewhat with these prices during the first half of the quarter. At the same time, the monthly average cost of production increased by \$2.24/cwt, to \$34.25/cwt. Over 40% of the increase in cost of production (\$0.93/cwt) can be attributed to an increase in the cost of purchased feed per hundredweight of milk. The monthly average shortfall of prices minus the minimum sustainable cost was \$11.42/cwt, similar to the shortfall in the second 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 remain low; national milk production in August was 1.9 percent higher than in August 2015. Feed prices are expected to remain fairly stable. Taking these factors together, we can expect that the minimum sustainable cost of milk production will continue to exceed the price of milk, and 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

	July	August	September	Quarter 3 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$35.15	\$34.21	\$33.38	\$34.25
Minimum Sustainable Cost of Production				
Connecticut	\$28.82	\$28.06	\$27.37	\$28.08
Statistical Uniform Price				
Hartford, CT	\$16.12	\$16.87	\$17.00	\$16.66
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	\$12.70	\$11.19	\$10.37	\$11.42

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>. For any other questions please contact Prof. John Bovay at john.bovay@uconn.edu or (860) 486-2740.

Like previous Connecticut milk COP reports, this report is posted online as Zwick Center Outreach Report 44 at http://zwickcenter.uconn.edu/outreach_reports.php