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

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
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University of Connecticut
February 16, 2017

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.


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<thead>
<tr>
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<th>October</th>
<th>November</th>
<th>December</th>
<th>Quarter 4 Average</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Cost of Production</strong></td>
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<tr>
<td>Connecticut</td>
<td>$33.44</td>
<td>$33.39</td>
<td>$33.04</td>
<td>$33.29</td>
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<tr>
<td><strong>Minimum Sustainable Cost of Production</strong></td>
<td></td>
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<tr>
<td>Connecticut</td>
<td>$27.42</td>
<td>$27.38</td>
<td>$27.10</td>
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<tr>
<td><strong>Statistical Uniform Price</strong></td>
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<td>Hartford, CT</td>
<td>$16.13</td>
<td>$16.24</td>
<td>$17.58</td>
<td>$16.65</td>
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<tr>
<td><strong>Minimum Sustainable Cost of Production Minus Statistical Uniform Price</strong></td>
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<tr>
<td>Connecticut</td>
<td>$11.29</td>
<td>$11.14</td>
<td>$9.52</td>
<td>$10.65</td>
</tr>
</tbody>
</table>

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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