Connecticut Milk Cost of Production Estimates for October, November, and December 2017

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
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In the fourth quarter of 2017, milk prices for Connecticut farmers fell to $17.00/cwt, $0.98/cwt lower than in the previous quarter. Over the same period, the cost of production fell to $30.73/cwt, $1.22 lower than in the previous quarter. The decrease in cost of production was driven largely by an decrease in the cost of feed per hundredweight of milk, which fell by $0.43/cwt, and by an decrease in labor and management costs per hundredweight of milk, which fell by $0.41/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was $8.20/cwt. This shortfall is approximately the same as in the previous quarter, and represents a substantial burden on 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 drop substantially in 2018 due to weak demand. At the same time, feed prices and other input prices are expected to remain fairly stable through the remainder of 2018. 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. 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

	October	November	December	Quarter 4 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$30.54	$30.93	$30.70	$30.73
Minimum Sustainable Cost of Production				
Connecticut	$25.05	$25.36	$25.18	$25.19
Statistical Uniform Price				
Hartford, CT	$17.34	$17.04	$16.61	$17.00
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	$7.71	$8.32	$8.57	$8.20

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.

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