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Zwick Center for Food and Resource Policy

Outreach Report No. 50

**Connecticut Milk Cost of Production Estimates
for January, February, and March 2018**

Prepared for the Connecticut Commissioner of Agriculture Steven Reviczky
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Connecticut Milk Cost of Production Estimates for January, February, and March 2018

John Bovay
May 9, 2018

In the first quarter of 2018, milk prices for Connecticut farmers fell to \$15.11/cwt, \$1.88/cwt lower than in the previous quarter. This sharp price decrease is part of a broader trend that represents a threat to the viability of dairy farms nationwide. Over the same period, the cost of production fell to \$29.38/cwt, \$1.35 lower than in the previous quarter. The decrease in cost of production was driven largely by an decrease in the cost of purchased feed per hundredweight of milk, which fell by \$0.48/cwt, and by an decrease in labor and management costs per hundredweight of milk, which fell by \$0.33/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was \$8.97/cwt, about 9.5 percent higher than in the previous quarter. This shortfall represents a substantial burden to 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 remain low in the near future due to weak demand, due to weak demand and large production volumes. At the same time, feed prices are expected to remain high. 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.

2018 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	\$28.99	\$29.78	\$29.35	\$29.38
Minimum Sustainable Cost of Production				
Connecticut	\$23.77	\$24.42	\$24.07	\$24.09
Statistical Uniform Price				
Hartford, CT	\$15.60	\$14.78	\$14.96	\$15.11
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	\$8.17	\$9.64	\$9.11	\$8.97

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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