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Zwick Center for Food and Resource Policy

Outreach Report No. 56

**Connecticut Milk Cost of Production Estimates
for October, November, and December 2018**

Prepared for Melody A. Currey, Acting Commissioner, Connecticut Department of Agriculture
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Connecticut Milk Cost of Production Estimates for October, November, and December 2018

John Bovay
February 25, 2019

In the third quarter of 2018, milk prices for Connecticut farmers rose to \$16.59/cwt, \$0.34/cwt higher than in the previous quarter. Over the same period, the cost of production fell to \$31.50/cwt, \$0.25 lower than in the previous quarter. The decrease in cost of production was driven by a decrease in the cost of purchased feed per hundredweight of milk, which fell by \$0.88/cwt. This decrease was offset by an increase in the cost of labor and management per hundredweight of milk, which rose by \$0.62/cwt. The monthly average shortfall—price minus the minimum sustainable cost—was \$9.23/cwt, about 6 percent lower 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 rise slightly in 2019, in part due to reduced global production. Feed prices may remain at about the same level, or continue to fall slightly. However, given the large shortfall for Connecticut dairy producers, the minimum sustainable cost of milk production should continue to greatly exceed the price of milk throughout 2019. 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

	October	November	December	Quarter 4 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	\$31.73	\$31.87	\$30.89	\$31.50
Minimum Sustainable Cost of Production				
Connecticut	\$26.02	\$26.13	\$25.33	\$25.83
Statistical Uniform Price				
Hartford, CT	\$17.09	\$16.52	\$16.17	\$16.59
Statistical Uniform Price Minus Minimum Sustainable Cost of Production				
Connecticut	\$8.93	\$9.61	\$9.16	\$9.23

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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