

## Wisconsin Calculated Milk Cost of Production

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Ken Bolton

UW-Extension

Center for Dairy Profitability

The monthly predicted Cost of Production (COP) of milk in Wisconsin is intended for use by dairy producers making production and financial management decisions. It is a calculated cost as it predicts the mailbox price of milk from the Class III Futures using the regression formula of Gould plus any added MILC payment also predicted by Gould <http://future.aae.wisc.edu/milc.html>. Shelled corn, soybean meal (SBOM), salt and Dicalcium phosphate prices used in this analysis are FOB Madison, Wisconsin. The hay price is the monthly USDA national average quote. Corn silage is valued from the "Pricer.exe" spreadsheet by Howard. An assumed blended forage ration of 50:50 (Dry Matter basis) haylage:corn silage price is calculated based on the above determined prices. The "*Wisconsin Dairy Enterprise Planning Budget (2008)*" by Jones and Barnett is utilized in calculating COP.

This Class III Futures price on February 13, 2009 settled at \$9.27 yielding a predicted mailbox price of \$10.96/cwt plus an expected MILC payment of \$1.51/cwt equaling a total combined mailbox price of \$12.47. This is compared to feed prices of; corn- \$4.15/bu., SBOM- \$341/ton, Salt- \$12.86/cwt. and Dical- \$20.50/cwt. The national average alfalfa price reported by USDA for February is \$149/ton and the estimated value of corn silage is \$40/ton, both on an as-fed basis.

The value of a purchased replacement cow (\$1,700), heifer calf (\$350) and cull cow (\$630) are averages reported by the USDA Agricultural Marketing Service (AMS) the week prior to this report for Ithaca, Wisconsin. Assumed production factors are common to the industry. Variable costs beyond feed are typical of those reported by dairy producers submitting financial records to the AgFA data base. Fixed costs are those calculated by the "*Wisconsin Dairy Enterprise Budget (2008)*" for the purpose of reporting a calculated COP based on a Double-8 milking parlor.

All values used in the Wisconsin Calculated Milk COP are for demonstration purposes only. Your actual prices will vary. Those using this information are advised to access the University of Wisconsin- Center for Dairy Profitability website at <http://cdp.wisc.edu/Welcome.htm> to calculate your COP utilizing your farm specific financial and production data as well as to review and use the other Decision Making Aids and tools available on the site.

A COP analysis using the "whole farm" approach will yield results different from those obtained via enterprise analysis. Those who intend to utilize the results in identifying a "good price" for marketing or production input decisions may want to use the (this) enterprise analysis derived price while those intending to make long term production decisions may choose the "whole farm" analysis.

A \$10.96 expected mailbox price relative to current feed prices would otherwise produce negative margins for the dairy enterprise at nearly every production level. With the \$1.51/cwt MILC payment, Net Returns over all costs at 18,000lbs of milk marketed /cow/year are -\$786.97/cow with breakeven occurring at 29,965 lbs.

Because of wide variability in fixed costs, labor and management charges from farm to farm, a detailed reporting of Gross Returns, and Returns over feed and Variable Costs is offered instead of returns to these costs and Net Return. Returns over both feed and variable costs are positive for all production levels from 15,600 lbs/cow/year and above. At 15,600 lb/cow there is no return over variable costs.

The follow table summarizes Gross Return/cow and Returns over Feed and Variable Costs for February.

Production/Year	Gross Returns/Year	Returns Over Feed Cost	RO Variable Cost
18,000 lbs	\$2,244.60	\$3.95	\$0.96
20,000 lbs	\$2,494.00	4.31	1.59
22,000lbs	\$2,743.40	4.61	2.10
24,000 lbs	\$2,992.80	4.86	2.52
26,000 lbs	\$3,242.20	5.07	2.88
28,000lbs	\$3,491.60	5.25	3.19
30,000 lbs	\$3,741.00	5.41	3.46

Ken Bolton, [kenneth.bolton@ces.uwex.edu](mailto:kenneth.bolton@ces.uwex.edu), University of Wisconsin-Madison