Wisconsin Calculated Milk Cost of Production

April 2009

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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 (net hauling charges) of milk from the Class III Futures using the regression formula of Gould. An estimated MILC Program payment amount is made, 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.

The Class III Futures price on April 15, 2009 settled at $10.75 (+$0.20 above March) yielding a predicted Mailbox Price of $11.96/cwt (-$0.26 due to seasonal adjustments). An expected MILC payment of $1.61/cwt is available in April for those who have enrolled for and who's production qualifies. Income is compared to feed prices of; corn (ground)- $4.62/bu. (+$0.70), SBOM- $350/ton (+$43), Salt- $13.26/cwt. (+$2.86) and Dical- $40.00/cwt (no change from March). The national average alfalfa price reported by USDA for March is $129/ton (-$14.00) and the estimated value of corn silage is $32/ton (-$8.00), both on an as-fed basis.

The value of a purchased replacement cow ($1,312 a decrease of $588 from March), heifer calf ($125, down from $285) and cull cow ($624, down from $650) are averages reported by the USDA Agricultural Marketing Service (AMS) the week prior to this report for 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 for a 200 cow herd based on a Double-8 milking parlor. All spreadsheet inputs may be changed to fit your particular herd description.

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 and for comparisons to other farms may choose the "whole farm" cost per CWT EQ analysis.

An $11.96 expected Mailbox Price relative to current feed prices produces negative margins for the dairy enterprise producing below 31,001 lbs/cow/year given total assumed feed, other variable and

fixed costs. A $1.61/cwt MILC payment increases Net Returns over all, Over Feed and Over Variable Costs/CWT accordingly for those who qualify.

Because of wide variability in fixed costs, labor and management charges from farm to farm and to present a size-neutral perspective, a detailed reporting of Returns over Feed and Variable Costs per CWT is offered in the table below instead of expected revenue per cow and Net Return. Returns over feed costs are evident at production levels over 7,430 lbs milk/year. Returns over both feed and variable costs are positive for all production levels from 14,490 lbs/cow/year and above. Below 14,490 lb milk/cow/year there is no return over variable costs.

The follow table summarizes calculated Returns over Feed and Variable Costs for April.

Returns Over Feed and Variable Costs per CWT

For A Mail Box Price of $11.96/CWT

For April 2009 Milk

Production per Year	Returns Over Feed Costs/CWT	Returns Over Variable Costs/CWT
18,000 lbs.	$3.87	$1.29
20,000 lbs.	4.14	1.82
22,000 lbs.	4.37	2.25
24,000 lbs.	4.55	2.61
26,000 lbs.	4.71	2.92
28,000 lbs.	4.84	3.18
30,000 lbs.	4.96	3.41

Dairy producers may receive an additional $1.61 per CWT (predicted) to cover feed and variable costs if they qualify for a payment under the Milk Income Loss Contract (MILC) Program.

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