

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 (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 quoted from Madison, Wisconsin and include delivery to the farm. The hay price is the monthly USDA, NASS 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 value 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 May 14, 2009 settled at \$9.82 (-\$0.93 from April) yielding a predicted Mailbox Price of \$11.10/cwt (-\$0.86 with seasonal adjustments). An expected MILC payment of \$1.52/cwt is available in May for those who have enrolled for and who's production qualifies. Income is compared to feed prices of; corn (ground) - \$4.93/bu. (+\$0.31), SBOM- \$395/ton (+\$45), Salt- \$13.86/cwt. (+\$0.60) and Dical- \$42.00/cwt (up \$2.00 from April). The national average alfalfa price reported by USDA for March is \$133/ton (+\$4.00) and the estimated value of corn silage is \$29/ton (-\$4.00), both on an as-fed basis.

The value of a purchased replacement cow (\$1,800 an increase of \$488 from April), heifer calf (\$375, up from \$125) and cull cow (\$741, up from \$624) 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, budgets 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 \$11.10 expected Mailbox Price relative to current feed prices produces negative margins for the dairy enterprise producing below 37,360 lbs/cow/year given total assumed feed, other variable and fixed costs. A \$1.52/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 8,615 lbs milk/year. Returns over both feed and variable costs are positive for all production levels from 17,525 lbs/cow/year and above. Below 17,525 lb milk/cow/year there is no return over variable costs.

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

Returns Over Feed and Variable Costs per CWT

For A Mail Box Price of \$11.10/CWT

For May 2009 Milk

Production per Year	Returns Over Feed Costs/CWT	Returns Over Variable Costs/CWT
18,000 lbs.	\$2.72	\$0.14
20,000 lbs.	2.97	0.65
22,000 lbs.	3.17	1.06
24,000 lbs.	3.34	1.41
26,000 lbs.	3.49	1.70
28,000 lbs.	3.61	1.95
30,000 lbs.	3.72	2.17

Dairy producers may receive an additional \$1.52 per CWT (predicted) to cover feed and variable costs if they qualify for a payment under the Milk Income Loss Contract (MILC) Program.

Ken Bolton, kenneth.bolton@ces.uwex.edu, University of Wisconsin-Madison