Zwick Center for Food and Resource Policy

Outreach Report No. 75

Connecticut Milk Cost of Production Estimates for Quarter 4 (Oct, Nov, Dec) 2022

Prepared for Bryan Hurlburt, Commissioner, Connecticut Department of Agriculture
Prepared by Kimberly Rollins, Department Head and Professor and Zwick Center Director
Alyssa McDonnell, Research Assistant
Karina Cangas, Undergraduate Research Assistant
Department of Agricultural and Resource Economics
University of Connecticut
Feb 7, 2023

Charles J. Zwick Center for Food and Resource Policy
Department of Agricultural and Resource Economics
College of Agriculture and Natural Resources
1376 Storrs Road, Unit 4021
Storrs, CT 06269-4021

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This quarterly report was prepared with data from the USDA Economic Research Service, the cost of dairy model at UConn's Zwick Center, and market analysis from the USDA August Dairy Outlook (link below). In the fourth quarter of 2022 milk prices for Connecticut farmers fell to $23.93/cwt, $1.15/cwt lower than in the previous quarter. This decrease was mostly driven by a decrease in the cost of both homegrown and purchased feed along with a decrease in various marketing-related costs. Over the same period, cost of production decreased slightly to $30.76/cwt, $1.40 lower than in the previous quarter. The monthly average shortfall - the minimum sustainable cost minus the price - was $6.82/cwt, a 5% increase from the previous quarter. This shortfall, however, remains a substantial burden to producers. We thus see a need for continuing payments to Connecticut dairy farmers under Public Act 09-229.

Looking ahead, USDA ERS January Dairy Outlook reports national milk prices are expected to further decrease in 2023 continuing a downward trend in dairy prices *(Livestock, Dairy, and Poultry Outlook).* This is due in part to a lower than expected demand of dairy both domestically and internationally. Additionally, prices are expected to decrease due to decreasing input costs in production, encouraging farmers to produce greater supply. However, contrasting to this, the USDA estimates that the herd size of dairy farms will decrease as a response to the decrease of dairy prices *(Livestock, Dairy, and Poultry Outlook)*. With the lower projected milk prices, the minimum sustainable cost of milk production should continue to exceed the price of milk throughout 2023. Connecticut dairy farmers will face additional financial pressure in the absence of Public Act 09-229 payments.

2022 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	Oct	Nov	Dec	Quarter 4 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$37.62	$37.93	$36.97	$37.51
Minimum Sustainable Cost of Production				
Connecticut	$30.85	$31.10	$30.32	$30.76
Statistical Uniform Price				
Hartford, CT	$24.67	$24.17	$22.96	$23.93
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$6.18	$6.93	$7.36	$6.82

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 Research Report No. 1 available at: http://zwickcenter.uconn.edu/outreach-presentations_4_2016452852.pdf

References:

Livestock, Dairy, and Poultry Outlook: February 2023, LDP-M-344, U.S. Department of Agriculture, Economic Research Service, February 14, 2023

Please contact Prof. Kimberly Rollins at kimberly.rollins@uconn.edu or (860) 486-4394 with questions.