Zwick Center for Food and Resource Policy

Outreach Report No. 77

Connecticut Milk Cost of Production Estimates for Quarter 2 (April, May, June) 2023

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Connecticut Milk Cost of Production Estimates for Quarter 12 (April, May, June) 2023

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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 first quarter of 2023 milk prices for Connecticut farmers fell to $19.18/cwt, $1.53/cwt lower than in the previous quarter. Over the same period, the cost of production increased to $38.43/cwt, $0.67 higher than in the previous quarter. The monthly average shortfall - the minimum sustainable cost minus the price - was $12.33/cwt, a 20% increase from the previous quarter. This difference was most significantly driven by the decrease in the sustainable uniform price, which is set by FMMO1. This shortfall 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 April Dairy Outlook reports national milk prices are expected to further decrease in 2023 continuing a downward trend in dairy prices, which is expected to continue into 2024 *(Livestock, Dairy, and Poultry Outlook).* This is in part due to lower expected demand for cheese and dry whey due to anticipated international competition particularly from New Zealand *(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.

2023 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	Apr	May	Jun	Quarter 2 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$38.31	$38.65	$38.33	$38.43
Minimum Sustainable Cost of Production				
Connecticut	$31.42	$31.69	$31.43	$31.51
Statistical Uniform Price				
Hartford, CT	$19.67	$19.36	$18.51	$19.18
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$11.75	$12.33	$12.92	$12.33

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: July 2023, LDP-M-349, U.S. Department of Agriculture, Economic Research Service, July 18, 2023

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