Zwick Center for Food and Resource Policy

Outreach Report No. 67

Connecticut Milk Cost of Production Estimates for Quarter 4 (October, November, December) 2020

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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 January Dairy Outlook (linked below).

In the second quarter of 2020, milk prices for Connecticut farmers fell to $17.37/cwt, $0.49/cwt lower than in the previous quarter. Over the same period, production costs slightly rose to $34.32/cwt, $0.02 higher than in the previous quarter. The increase in production cost was driven by an increase in the cost of feed, which rose by $0.44/cwt. The monthly average shortfall - the minimum sustainable cost minus the price - was $10.77/cwt, which is about a 0.5% increase from the previous quarter. 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 January Dairy Outlook reports national milk prices are expected to rise in 2021 due to improving economic conditions, anticipated stimulus from the federal government, and USDA announcements regarding dairy purchases (*Livestock, Dairy, and Poultry Outlook).* It should be noted that while milk prices have gone up, they are still lower than prices before the pandemic in 2019. Feed prices are expected to continue to rise but continue to be lower than in 2019 (McConnell). Given these expectations, the minimum sustainable cost of milk production should continue to exceed the price of milk throughout 2021. Connecticut dairy farmers will face additional financial pressure in the absence of Public Act 09-229 payments.

2020 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	October	November	December	Quarter 4 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$34.42	$34.22	$34.31	$34.32
Minimum Sustainable Cost of Production				
Connecticut	$28.22	$28.07	$28.14	$28.14
Statistical Uniform Price				
Hartford, CT	$16.79	$18.17	$17.16	$17.37
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$11.44	$9.90	$10.98	$10.77

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, LDP-M-316, U.S. Department of Agriculture, Economic Research Service, January 19,2021.

McConnell, Michael, Olga Liefert, David Olson, and Tom Capehart, Feed Outlook, FDS-21a, U.S. Department of Agriculture, Economic Research Service, January 14, 2021.

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