Zwick Center for Food and Resource Policy

Outreach Report No. 68

Connecticut Milk Cost of Production Estimates for Quarter 1 (January, Februrary,March) 2021

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May 6, 2021

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 (link below).

In the first quarter of 2021, milk prices for Connecticut farmers fell to $15.97/cwt, $1.40/cwt lower than in the previous quarter. Over the same period, production fell to $32.68/cwt, $1.63 lower than in the previous quarter. The decrease in production cost was had various drivers, the most significant of which was a decrease of about $0.63/cwt in average feed costs. The monthly average shortfall - the minimum sustainable cost minus the price - was $10.83/cwt, which less than a 1% 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 April Dairy Outlook reports national milk prices are expected to rise in 2021 due to improving economic conditions, economic stimulus from the federal government (including strengthened food assistance programs), and expected increased demand in foodservice *(Livestock, Dairy, and Poultry Outlook)*. Feed prices are expected to slightly rise in the next quarter of 2021 (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

	January	February	March	Quarter 1 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$32.83	$32.75	$32.48	$32.69
Minimum Sustainable Cost of Production				
Connecticut	$26.92	$26.85	$26.64	$28.81
Statistical Uniform Price				
Hartford, CT	$15.81	$15.70	$16.40	$15.97
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$11.11	$11.15	$10.23	$10.83

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-322, U.S. Department of Agriculture, Economic Research Service, April 15, 2021.

McConnell, Michael, Olga Liefert, and Tom Capehart, Feed Outlook, FDS-21d, U.S. Department of Agriculture, Economic Research Service, April 13, 2021.

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