Zwick Center for Food and Resource Policy

Outreach Report No. 69

Connecticut Milk Cost of Production Estimates for Quarter 2 (April, May, June) 2021

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This 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 July Dairy Outlook (link below).

In the second quarter of 2021, milk prices for Connecticut farmers rose to $17.97/cwt, $0.90/cwt higher than in the previous quarter. Over the same period, production cost rose to $33.59/cwt, $1.63 lower than in the previous quarter. The various drivers that generated the increase in production cost included a $0.21/cwt increase in hired labor and a slight increase in feed costs. The monthly average shortfall - the minimum sustainable cost minus the price - was $9.57/cwt, a 1% decrease 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, the USDA ERS July Dairy Outlook expects that increased competition from projected increases in the number of dairy cattle in the US and anticipated imports from the United Kingdom will cause national milk prices to decline in 2021 *(Livestock, Dairy, and Poultry Outlook).* Feed prices are expected to slightly fall 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. Public Act 09-229 payments offset these additional financial pressures to Connecticut dairy farmers.

2021 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	April	May	June	Quarter 2 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$32.67	$33.54	$34.56	$33.59
Minimum Sustainable Cost of Production				
Connecticut	$26.78	$27.51	$28.34	$27.54
Statistical Uniform Price				
Hartford, CT	$17.26	$18.24	$18.40	$17.97
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$9.52	$9.26	$9.94	$9.58

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.

Details on the methodology are provided in the Zwick Center Research Report No. 1 at: http://zwickcenter.uconn.edu/outreach-presentations_4_2016452852.pdf

References:

Livestock, Dairy, and Poultry Outlook, LDP-M-325, U.S. Department of Agriculture, Economic Research Service, July 16, 2021.
McConnell, Michael, Olga Liefert, and Angelica Williams, Feed Outlook, FDS-21h, U.S. Department of Agriculture, Economic Research Service, August 16, 2021.

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