Zwick Center for Food and Resource Policy

Outreach Report No. 71

Connecticut Milk Cost of Production Estimates for Quarter 4 (October, November, December) 2021

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
Department of Agricultural and Resource Economics
University of Connecticut
February 9, 2022

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

Connecticut Milk Cost of Production Estimates for Quarter 4 (October, November, December) 2021

Kimberly Rollins and Alyssa McDonnell
February 9, 2022

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 second quarter of 2021, milk prices for Connecticut farmers rose to $19.37/cwt, $1.03/cwt higher than in the previous quarter. Over the same period, production cost rose to $37.39/cwt, $1.02 higher than in the previous quarter. The increase in production cost was had various drivers, the most significant being $0.47/cwt increase in the cost of hired labor. The monthly average shortfall - the minimum sustainable cost minus the price - was $11.28/cwt, less than 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, USDA ERS October Dairy Outlook reports national milk prices are expected to increase in 2022 due to recent increases in prices and stronger expected demand *(Livestock, Dairy, and Poultry Outlook).* Feed prices are expected to remain about the same in the first quarter of 2022, but remain higher than in 2020 (McConnell). Even with anticipated price increases, the minimum sustainable cost of milk production should continue to exceed the price of milk throughout 2022. Connecticut dairy farmers will face additional financial pressure in the absence of Public Act 09-229 payments.

2021 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	$38.01	$37.59	$36.58	$37.39
Minimum Sustainable Cost of Production				
Connecticut	$31.16	$30.82	$30.00	$30.66
Statistical Uniform Price				
Hartford, CT	$18.34	$19.44	$20.34	$17.81
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$12.82	$11.38	$9.67	$11.28

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: January 2022, LDP-M-331, U.S. Department of Agriculture, Economic Research Service, January 19, 2022.
McConnell, Michael, Olga Liefert, Angelica Williams, and Amy Boline, Feed Outlook: January 2022, FDS22a, U.S. Department of Agriculture, Economic Research Service, January 14, 2022.

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