Zwick Center for Food and Resource Policy

Outreach Report No. 72

Connecticut Milk Cost of Production Estimates for Quarter 1 (January, February, March) 2022

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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 April Dairy Outlook (link provided below). First quarter 2022 milk prices for Connecticut farmers rose to $23.61/cwt, which is $5.80/cwt higher than in the previous quarter. This increase was due to both an increase in the wholesale price of milk and a decrease in production costs in 2021. Production costs dropped slightly to $34.99/cwt, $0.60 lower than in the previous quarter. The monthly average shortfall - the minimum sustainable cost minus the price - was $5.07/cwt, a 55% decrease from the previous quarter. This shortfall, however, remains a burden to producers. We thus see a need for continuing payments to Connecticut dairy farmers under Public Act 09-229.

The USDA ERS April Dairy Outlook reports that national milk prices are expected to increase in 2022 due to recent increases in wholesale prices, which remain competitive with international markets *(Livestock, Dairy, and Poultry Outlook).* Production costs are expected to increase in the next quarter due to recent increases in fuel costs and anticipated increases in feed prices, in part due global supply disruptions from decreased Ukrainian grain exports (McConnell). The minimum sustainable cost of milk production should continue to exceed the price of milk throughout 2022, even with higher milk prices. Connecticut dairy farmers would face financial pressure in the absence of Public Act 09-229 payments.

2022 Connecticut Milk Cost of Production Estimates, Statistical Uniform Price, and Application of Public Act 09-229

	January	February	March	Quarter 1Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$34.66	$35.35	$34.97	$34.99
Minimum Sustainable Cost of Production				
Connecticut	$28.42	$28.99	$28.67	$28.70
Statistical Uniform Price				
Hartford, CT	$22.64	$23.57	$24.64	$23.61
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$5.78	$5.42	$4.03	$5.07

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, April 2022, LDP-M-334, U.S. Department of Agriculture, Economic Research Service, April 14, 2022.

McConnell, Michael, Olga Liefert, Angelica Williams, Claire Hutchins, and Steven Ramsey, Feed Outlook: April 2022, FDS-22d, U.S. Department of Agriculture, Economic Research Service, April 12, 2022.

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