ZWICK CENTER FOR FOOD AND RESOURCE POLICY

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CONNECTICUT MILK COST OF PRODUCTION

2022 Estimates for April | May | June

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Connecticut Milk Cost of Production Estimates for Quarter 2 (April,May, June) 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 August Dairy Outlook (link below).

In the second quarter of 2022 milk prices for Connecticut farmers rose to $26.44/cwt, $2.82/cwt higher than in the previous quarter. This increase was due to both a higher level of exports in the second quarter and a lower level of imports. Over the same period, cost of production rose slightly to $36.24/cwt, $0.66 higher than in the previous quarter. The monthly average shortfall - the minimum sustainable cost minus the price - was $3.28/cwt, a 41% decrease from the previous quarter. This shortfall, however, 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 August Dairy Outlook reports national milk prices are expected to decrease slightly in 2022 but remain significantly higher than they were at the same time in 2021 (Livestock, Dairy, and Poultry Outlook). As prices decrease due to higher production, there is expected to be an increase in demand for milk products. Due to a lower than expected demand, the wholesale price for milk is expected to slightly decrease in the next month (Teran). Even with these high projected milk prices, 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.

2022 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	$35.02	$35.95	$37.43	$36.13
Minimum Sustainable Cost of Production				
Connecticut	$28.72	$29.48	$30.69	$29.63
Statistical Uniform Price				
Hartford, CT	$25.97	$26.48	$26.88	$26.44
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$3.20	$3.00	$3.82	$3.34

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:

Teran Angela, Livestock, Dairy, and Poultry Outlook: August 2022, LDP-M-338, U.S. Department of Agriculture, Economic Research Service, August 18, 2022

Williams, Angelica, Olga Liefert, and Todd Hubbs, Feed Outlook: August 2022, FDS-22h, U.S. Department of Agriculture, Economic Research Service, August 16, 2022.

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