ZWICK CENTER FOR FOOD AND RESOURCE POLICY

OUTREACH REPORT NO. 74 November 15| 2022

CONNECTICUT MILK COST OF PRODUCTION

2022 Estimates for July | August | September

PREPARED FOR

Bryan Hurlburt
Commissioner
Connecticut Department of Agriculture

PREPARED BY

Kimberly Rollins
Department Head and Professor
Zwick Center Director

Alyssa McDonnell
Research Assistant

Connecticut Milk Cost of Production Estimates for Quarter 3 (July, August, September) 2022

Kimberly Rollins and Alyssa McDonnell
November 15,2022

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 October Dairy Outlook (link below).

In the third quarter of 2022 milk prices for Connecticut farmers fell to $25.43/cwt, $1.01/cwt lower than in the previous quarter. Over the same period, cost of production rose slightly to $38.86/cwt, $2.62 higher than in the previous quarter. This increase was driven by an increase in the cost of purchased feed. The monthly average shortfall - the minimum sustainable cost minus the price - was $6.43/cwt, a 96.40% 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 August Dairy Outlook reports national milk prices are expected to increase slightly for the rest of 2022 and the beginning of 2023 (Livestock, Dairy, and Poultry Outlook). There is anticipated strong demand internationally and more competitive markets domestically, which should lead to these anticipated price increases (Teran). 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

	July	August	September	Quarter 3 Average
	Dollars per Hundredweight			
Total Cost of Production				
Connecticut	$38.61	$39.18	$38.74	$38.86
Minimum Sustainable Cost of Production				
Connecticut	$31.66	$32.13	$31.80	$31.86
Statistical Uniform Price				
Hartford, CT	$26.26	$25.32	$24.72	$25.43
Minimum Sustainable Cost of Production Minus Statistical Uniform Price				
Connecticut	$5.40	$6.81	$7.08	$6.43

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:
LDP-M-340, U.S. Department of Agriculture, Economic Research Service, October 18, 2022.

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