

# THE IMPACT OF COVID-19 ON THE CONNECTICUT DAIRY FARM SECTOR



Zwick Center for Food and Resource Policy  
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## WHAT IS THE ISSUE?

The COVID-19 pandemic resulted in significant demand shifts for dairy products, from restaurants, schools, and institutions to grocery stores. However, the increase in demand for milk products at grocery stores was not enough to overcome the overall decline in foodservice demand, resulting in plummeting prices at the farm level. In addition, farm milk buyers imposed supply control measures to align supply and demand conditions to their processing capacity.

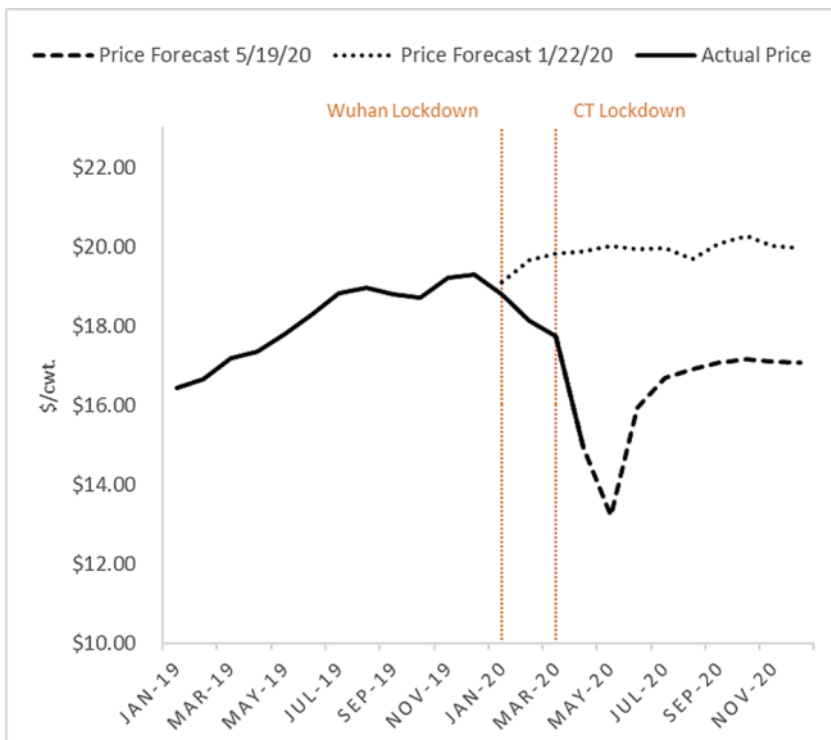
This report presents preliminary estimates of the revenue losses accruing to dairy farmers in Connecticut for 2020. It estimates losses from both lower prices paid as well as from supply control measures imposed by dairy processors. This information is important to document losses from the COVID-19 crisis in the dairy farm sector, one of the most affected by the pandemic.

## WHAT DID THIS STUDY FIND?

This study estimates that for 2020, the Connecticut dairy farm sector will experience the following losses:

- A total revenue loss of \$16.5 million or about 19.4% of the total dairy farm revenue.

FIGURE 1. PRE- AND POST-COVID-19 FARM MILK PRICES



- About four-fifths of the total losses are due to price declines in response to the COVID-19 pandemic: \$13.4 million loss or about 15.8% of total revenues.
- At prevailing and estimated post-pandemic prices, the supply control losses are estimated at about \$3.1 million or about 3.6% of total revenues.

As the future of the pandemic remains uncertain for the remainder of 2020, these estimates may change as data and the situation on the ground change and as the industry responds strategically to changes in demand.

**TABLE 1. ESTIMATED COVID-19 REVENUES LOSSES TO DAIRY FARMERS IN CONNECTICUT IN 2020**

| CY 2020 | PRE-COVID PRODUCTION<br>(1,000 cwt.) | SUPPLY CONTROL REDUCTION<br>(1,000 cwt.) | POST-COVID SUPPLY<br>(1,000 cwt.) | PER UNIT PRICE LOSS<br>(\$/cwt.) | REVENUE LOSS FROM LOWER PRICES<br>(Dollars) | REVENUE LOSS FROM SUPPLY CONTROL<br>(Dollars) | TOTAL REVENUE LOSS<br>(Dollars) |
|---------|--------------------------------------|--|-----------------------------------|----------------------------------|---|---|---------------------------------|
| Jan-20  | 363.3                                |  | 363.3                             | \$ 0.32                          | 116,256                                     |   | 116,256                         |
| Feb-20  | 363.3                                |  | 363.3                             | \$ 1.53                          | 555,849                                     |   | 555,849                         |
| Mar-20  | 363.3                                |  | 363.3                             | \$ 2.07                          | 752,031                                     |   | 752,031                         |
| Apr-20  | 360.0                                | 21.6                                     | 338.4                             | \$ 4.96                          | 1,785,600                                   | 322,272                                       | 2,107,872                       |
| May-20  | 360.0                                | 21.6                                     | 338.4                             | \$ 6.80                          | 2,448,000                                   | 285,336                                       | 2,733,336                       |
| Jun-20  | 360.0                                | 21.6                                     | 338.4                             | \$ 3.99                          | 1,436,400                                   | 344,088                                       | 1,780,488                       |
| Jul-20  | 346.7                                | 20.8                                     | 325.9                             | \$ 3.27                          | 1,133,709                                   | 346,977                                       | 1,480,686                       |
| Aug-20  | 346.7                                | 20.8                                     | 325.9                             | \$ 2.78                          | 963,826                                     | 351,762                                       | 1,315,588                       |
| Sep-20  | 346.7                                | 20.8                                     | 325.9                             | \$ 2.98                          | 1,033,166                                   | 355,298                                       | 1,388,464                       |
| Oct-20  | 356.7                                | 21.4                                     | 335.3                             | \$ 3.12                          | 1,112,904                                   | 367,044                                       | 1,479,948                       |
| Nov-20  | 356.7                                | 21.4                                     | 335.3                             | \$ 2.89                          | 1,030,863                                   | 366,188                                       | 1,397,051                       |
| Dec-20  | 356.7                                | 21.4                                     | 335.3                             | \$ 2.91                          | 1,037,997                                   | 365,118                                       | 1,403,115                       |
| Year    |                                      |  |                                   |                                  | <b>\$ 13,406,601</b>                        | <b>\$ 3,104,084</b>                           | <b>\$ 16,510,685</b>            |

**Note:** Production in 2019 is used as the estimate of pre-COVID production for 2020. Supply control reduction is estimated at 6% reduction of 2019 production, and began in April 2020. Pre- and post-COVID Farm milk prices are from Agri-Mark.

## HOW WAS THIS STUDY CONDUCTED?

After consulting with stakeholders, we identified two sources of revenue losses accruing to Connecticut farmers from the COVID-19 pandemic: (1) a price decline from the overall demand for milk at the farm level; and (2) supply management imposed by processors such as Agri-mark and Dairy Farmers of America. In this study, we utilized Agri-mark forecast prices for 2020 in January 2020 as the pre-pandemic forecasts, and the actual January-April prices and forecast prices for May and subsequent months in 2020. The difference between these two constituted the COVID price loss per cwt. We utilized a 6% reduction in production to measure the effect of supply control, as implemented by Agri-mark, which reflects the typical supply control facing Connecticut farmers this year. Revenue losses from lower prices were estimated as the price loss per hundredweight times the post-COVID supply. Revenue losses from supply control was estimated as the supply reduction times the post-COVID milk price. The overall revenue loss is the sum of the two.

## ABOUT THE AUTHORS:

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For the full report, see the Zwick Center Outreach Report No. 67 at <https://zwickcenter.uconn.edu>.

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