THE ECONOMIC AND FISCAL IMPACTS OF THE CONNECTICUT DAIRY INDUSTRY

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

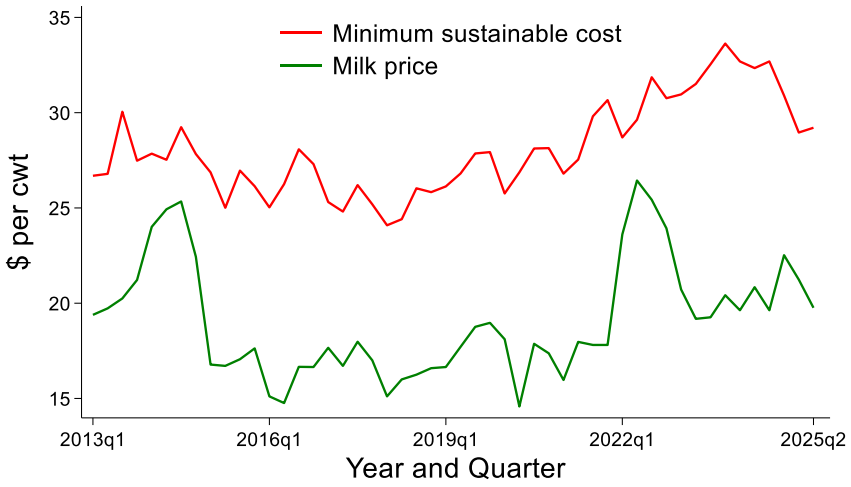
The viability of the Connecticut dairy sector is threatened by input cost inflation that has outpaced increases in milk prices, resulting in sustained losses and continued exit of dairy farms, given current supply and demand conditions and processing capacity. At present, 87 dairy farms remain in the state, accounting for approximately 72,000 acres and $107M in farm sales in 2024.

This report pursues two goals: 1) to document the state of the dairy industry, and 2) to document its importance to the Connecticut economy. This information is important because the state dairy industry supports a network of suppliers, among them, feed suppliers, veterinary services, equipment manufacturers, real estate, health services, and financial services.

WHAT DID THIS STUDY FIND?

- As shown in Figure 1, in the last 12 years Connecticut milk prices have continued to be well below the minimum sustainable cost of production—defined as 82% of the cost of production per Connecticut Public Act 09-229.
- The average gap between the minimum sustainable cost and the farm milk price averaged $9 per hundredweight (cwt) or about 47% of the price.
- This persistent cost-price gap helps explain the continued exit of dairy farms in the state, and if this trend continues, the demise of dairy farms will continue unabated.

FIGURE 1. FARM MILK PRICES AND COSTS, 2013–2025



Source: Zwick Center dairy cost of production reports, Q1 2013-Q2 2025, available at https://are.uconn.edu/dairy-projects/ The milk price is the statistical uniform price from the Federal Milk Order No. 1 for Hartford.

Table 1 summarizes the economic impact estimates for 2024 for the Connecticut dairy sector:

- The impact of dairy farming on the state economy is estimated at $125.7M in sales, generating 816 jobs, and $17.4M in taxes.
- The impact of the dairy industry, farming and processing, on the state economy is estimated at 1.22B in sales, generating 2,628 jobs, and $69.14M in taxes.
- Of the $69.1M in taxes generated by the dairy industry, more than $27M flowed to state and local governments.
- Dairy farms paid $14.86M in direct taxes, reflecting their role as a stable anchor in rural communities, although their tax burden amounted to approximately $782 per cow.

TABLE 1. ECONOMIC AND FISCAL IMPACTS OF THE CONNECTICUT DAIRY SECTOR, 2024

Category	Dairy cattle & milk production	Fluid milk mfg.	Cheese mfg.	Ice cream & frozen dessert mfg.	Total
Direct Impacts					
Sales ($ million)	109.90	241.05	450.70	300.13	1101.78
Taxes ($ million)	14.86	8.29	11.77	15.12	50.04
Total Impacts					
Output ($ million)	125.67	267.32	478.82	347.85	1219.66
Employment (number of Jobs)	816	377	524	912	2628
Taxes generated ($ million)	17.41	12.55	16.49	22.69	69.14
Local taxes ($ million)	6.72	1.29	1.88	2.03	11.92
State taxes ($ million)	5.55	2.46	3.42	4.11	15.54
Federal taxes ($ million)	5.14	8.80	11.19	16.56	41.69

Source: IMPLAN (2025). IMPLAN Data Sources. IMPLAN, Huntersville, NC.

A decline of the dairy farm sector should be a concern not only because of its economic impacts, but also because of its implications for food security, its role as a major steward of open space in the state, and its importance as the backbone of the regional dairy sector. As this sector declines, we all lose.

HOW WAS THIS STUDY CONDUCTED?

At the request of stakeholders and with input from UConn Extension and Farm Credit East, we conducted an analysis of the cost-price gap and of the economic and fiscal impacts of the state's dairy farm and processing sectors. The cost-price analysis in Figure 1 relied on a Connecticut dairy cost survey and price data described in the Zwick Center Outreach Report 14, by Bravo-Ureta et al. (2013), (quarterly updates are reported at https://are.uconn.edu/dairy-projects/). The statistical uniform price used comes from the USDA Federal Milk Order No. 1 applicable to the Hartford area. For the economic and fiscal impacts, we deployed the most recently available version of IMPLAN, the most-commonly used input-output model. We used as input the direct sales from dairy farming and manufacturing of fluid milk, cheese, and ice cream/frozen desserts in Connecticut and, through multipliers coming from the US Bureau of Economic Analysis, estimated the statewide impacts on sales, employment, and taxes, given the effect on the network of suppliers and indirect effects statewide.

ABOUT THE AUTHORS

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