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SUSTAINING DAIRY FARMS

Adapting Massachusetts's Dairy Farmer Tax Credit Program for Connecticut

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Sustaining Dairy Farms:
Adapting Massachusetts's Dairy Farmer Tax Credit Program for Connecticut[1]

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This report provides an analysis of the level of support needed for adopting a Massachusetts-style dairy farmer tax credit program for dairy farmers in Connecticut. Using 2024 data and allocation based on milk produced, the basis used by Massachusetts to set tax credits, we estimate that Connecticut would have supported dairy farmers at approximately $18.8M in 2024, or equivalently, $21.8M in 2026 dollars. This is about four times larger than support under the existing Dairy Sustainability Program. Thus, by removing budget uncertainty through a defined cap and a significantly higher level of support to dairy farmers, which still falls far short of the cost-trigger price gap, it would increase the economic sustainability needed to sustain dairy farms and slow their exit.

Introduction

In the past decades Connecticut dairy farmers have faced production costs that have far exceeded the price they received, a perpetual and significant cost-price gap that has accelerated the exit of dairy farmers in the state, from 300 in 2000 to approximately 80 farmers now remaining in the state. In 2009, the state legislature passed CT Public Act 09-229 sections 28-30 (Dairy Sustainability Program) to establish a dairy farm sustainability and safety net program by providing payments to dairy farmers whenever the federal milk price falls below a minimum sustainable monthly cost of production. Perhaps surprisingly, therefore, since the Zwick Center for Food and Resource Policy at the University of Connecticut began estimating production costs in 2011 (Dairy COP), not a single quarter has closed the cost-price gap.

Despite this program, which only partially addressed the cost-price gap, Connecticut has continued to lose farmers. In fact, this program provides the lowest level of support per farm or per hundredweight of milk among the New England states that have dairy programs to support their farmers' economic sustainability (Connecticut, Massachusetts, and Maine). Implementing a Massachusetts-style dairy farmer tax credit program in Connecticut (such as currently proposed through Senate Bill 74 or House Bill 5570) will require information applicable to the state's agricultural scale and conditions.

At the request of the Connecticut Dairy Farming Sustainability Working Group (Dairy Working Group), whose task includes evaluating the feasibility and effectiveness of a reimbursable tax credit program for dairy producers, the objective of this report is to assess the tax caps needed for Connecticut to adopt a Massachusetts-style dairy farmer tax credit program. We also discuss the budget definition and stability conditions granted by such a program.

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[1] Outreach Report 72, Zwick Center for Food and Resource Policy, November 20, 2026. Available at https://are.uconn.edu/zwick-center-outreach-reports/ We acknowledge helpful comments by Christopher Laughton (Farm Credit East), Catherine de Ronde (Agri-Mark), and Bonnie Burr (UConn Extension), and cost data analysis by Isabella Lawless (UConn undergrad). However, the content of the report is the sole responsibility of the authors.
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Application to Connecticut

Context. Created in 2008, the goal of the Massachusetts Dairy Farmer Tax Credit Program (MDFTCP) is to help offset milk-price downturns. More specifically, when the price farmers receive drops below a trigger price, a registered dairy farmer can claim credit against personal income or corporate excise tax, sized by the milk the farm produces and sells. It is refundable and non-transferable, with total credits capped at $8 million a year (increased from $6 million in 2023). The rate is the total credit divided by total hundredweight of milk produced, and the tax credit is obtained by multiplying the rate by each farm's production (MDFTCP).

The Massachusetts (MA) credits are computed monthly based on the price being below the trigger price, but the tax credit/refunds are granted annually, in contrast to quarterly payments to CT farmers under the Dairy Sustainability Program. Applying the MDFTCP to Connecticut, however, offers two major advantages to Connecticut dairy farmers:

- By setting the policy budget ex-ante (e.g., $8M for MA, for example), this program removes budget uncertainty embedded in the current CT program, where the levels of final payments are not known a priori. Unlike the variability of funding under CT PA 09-229, the MA tax credit program has had only three sequential, multi-year levels since 2008: $4M (2008-19), $6M (2019-22), and $8M (2023-2026—the present).
- Because Connecticut has a significantly larger dairy farming footprint, with roughly 17,500 cows and just about 2.4 times the milk production volume of Massachusetts, adapting the MA program and support levels would significantly increase the level of support to the CT dairy industry, as the CT sector milk production is more than double the size of MA's production.

Connecticut Trigger Prices. We estimated the corresponding trigger price for CT based on the MA methodology. Using data that generated the COP reports of the Zwick Center for Food and Resource Policy (Dairy COP), the trigger prices for each month were estimated as total operating costs plus hired labor plus opportunity cost of unpaid labor, as defined by MA regulation 330 CMR section 29.05(2)(a). The results from January 2024 to September 2026 are shown in Figure 1, along with the estimated total cost of production per cwt and the Federal Milk Marketing Order I Statistical Uniform Price for Hartford, CT.

More details about the estimated cost-trigger price gaps are presented in appendix Table A. It is worth noting that the federal milk price applicable to Connecticut never reached or even approximated the trigger price, maintaining a trigger price-price gap between $7.56 and $16.08/cwt[3] from January 2024 to June 2026. In addition, the trigger price-price gap increased in 2025. The gap moderated in the first half of 2026 due mainly to increased Federal Milk Marketing Order I prices and moderating feed prices. However, the trigger price-gap increased in

[3] It is also worth noting that, on average, the trigger price as a percentage of total costs averaged 84.4% in 2024 and 84.8% in 2025, which is in the vicinity of the sustainable milk price in Connecticut computed at 82% of the total cost of production per Connecticut P.A. 09-229.

the third quarter of 2026 in response to sagging milk prices and high diesel prices. If the current trend continues, as expected, the gap will continue to increase for the rest of 2026 into 2027.

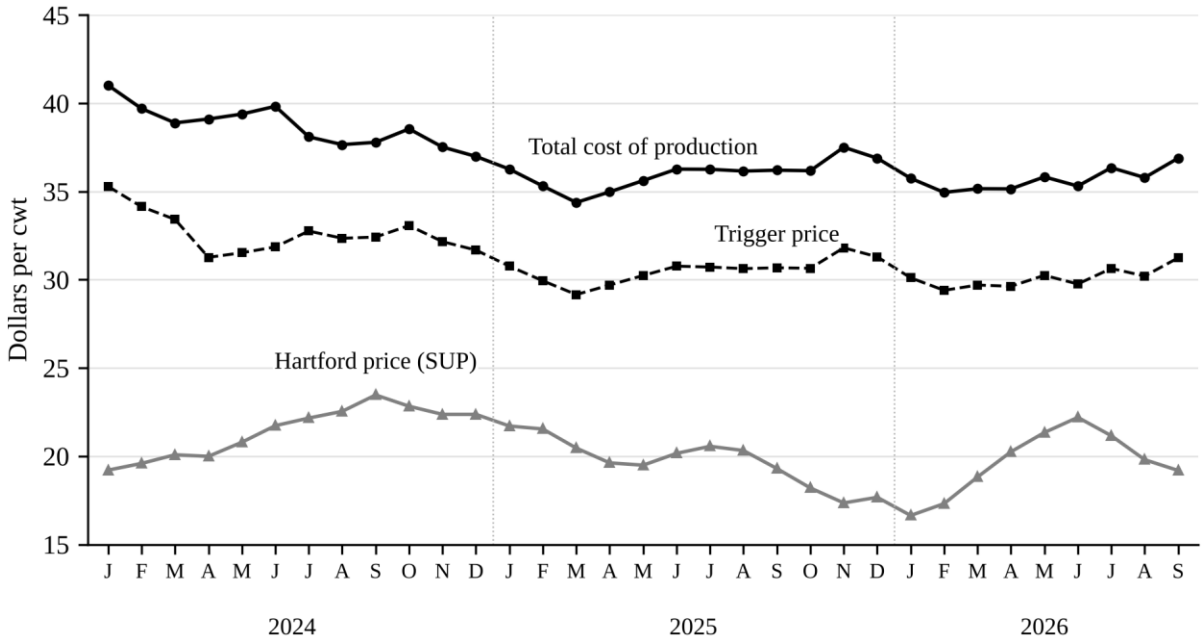

Figure 1. Total Cost of Production, Trigger Price, and Hartford Price (SUP) in Connecticut, 2024–2026.

Methodology. Following the guidelines utilized by Farm Credit East for the MA program (FCE 2026 Review), we estimate the budget required should Connecticut adopt a Massachusetts-style tax credit program. We support the estimates for Connecticut with the following assumptions:

- The Federal Milk Marketing Order I Standard Uniform Price for Hartford never exceeds the trigger price. This assumption is self-evident from Table 1, as it consistently has done so in Massachusetts since the inception of the MDFTCP in 2008.
- Total milk output is needed to emulate the allocations used by MDFTCP. Due to data limitation, we implemented the estimations for 2024, the most recent year of milk output availability, extrapolating the total estimated dollar cap should it be implemented in Connecticut.

We estimate the level of appropriation needed for allocating MA-style tax credits per cwt of milk produced (the benchmark). More details on the assumptions used to match the Massachusetts program are offered in appendix Table B.

Appropriation Levels Needed to Match Massachusetts program. The results for matching the Massachusetts program are summarized in Figure 2, with more details in appendix Table C. Because of the high inflationary period since 2024, the results are also presented by adjusting for inflation in the prices paid by farmers between January-September 2024 and January-September 2026, the last month for which the information exists (USDA NASS Agricultural Prices). As indicated in Table C, prices paid by US farmers increased by 15.6% in these two years of high

inflation. Thus, the appropriation levels suitable for Connecticut were adjusted accordingly to approximate current dollar values.

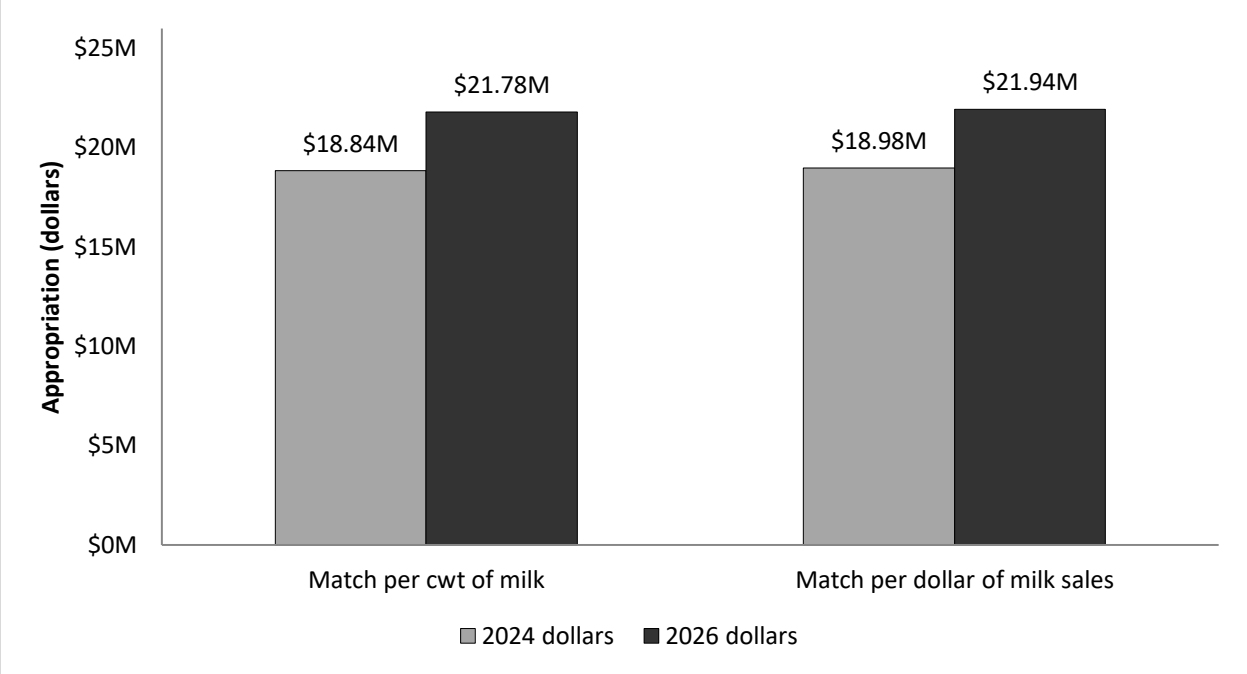

Figure 2. Connecticut Appropriation Needed to Match the Massachusetts Dairy Farmer Tax Credit Program, 2024 and January-September 2026 Dollars.

As indicated in Figure 2 and Table C, if Connecticut had used the Massachusetts program, it would have set a budget cap of $18.8M in 2024, equivalent to $21.8M in 2026 dollars. This is the baseline estimate as the Massachusetts program is based on cwt of milk to set the tax credits.

In addition, we estimate a tax credit allocation based on dollar milk sales. This scenario sheds light on the credit per dollar sale, i.e., the credit transfer as a percentage of sales, or what is commonly known as a producer subsidy equivalent. This is estimated at $0.19 of dollar sales, or 19%. Based on this, the cap would have been set at $19.0M in 2024, or 21.9M in 2026 dollars. Interestingly, this estimate is quite close to the benchmark scenario based on production, which is not surprising since prices are regulated by the Federal Milk Marketing Order I.

Conclusion

Adapting the Massachusetts dairy farmer tax credit program for Connecticut will not only result in a program with significantly higher and needed levels for support to state dairy farmers but also provide more defined and stable benefits than the existing program. Nevertheless, while granting relief for farmers to pay their bills and increasing their economic viability, it would reduce but by no means would come close to eliminating the cost-trigger price gap.

Appendix

Table A. Connecticut: Monthly Total Cost of Production, Trigger Price, and Statistical Uniform Price in Hartford, January 2024-September 2026 (dollars per cwt).

Month	Qtr.	Total cost of production	Trigger price	Hartford price (SUP)	Trigger – SUP price	Trigger month	Trigger price as % of total cost
Jan 2024	Q1	41.02	35.29	19.21	16.08	1	86.0
Feb 2024	Q1	39.70	34.14	19.59	14.55	1	86.0
Mar 2024	Q1	38.89	33.42	20.08	13.34	1	85.9
Apr 2024	Q2	39.11	31.27	19.99	11.28	1	80.0
May 2024	Q2	39.39	31.53	20.79	10.74	1	80.0
Jun 2024	Q2	39.83	31.86	21.73	10.13	1	80.0
Jul 2024	Q3	38.10	32.76	22.16	10.60	1	86.0
Aug 2024	Q3	37.66	32.35	22.54	9.81	1	85.9
Sep 2024	Q3	37.79	32.42	23.47	8.95	1	85.8
Oct 2024	Q4	38.55	33.07	22.83	10.24	1	85.8
Nov 2024	Q4	37.52	32.16	22.37	9.79	1	85.7
Dec 2024	Q4	36.99	31.68	22.37	9.31	1	85.6
2024 average		38.71	32.66	21.43	11.24	12	84.4
Jan 2025	Q1	36.27	30.77	21.71	9.06	1	84.8
Feb 2025	Q1	35.31	29.94	21.54	8.40	1	84.8
Mar 2025	Q1	34.38	29.16	20.46	8.70	1	84.8
Apr 2025	Q2	34.98	29.70	19.62	10.08	1	84.9
May 2025	Q2	35.62	30.24	19.49	10.75	1	84.9
Jun 2025	Q2	36.27	30.77	20.16	10.61	1	84.8
Jul 2025	Q3	36.26	30.72	20.56	10.16	1	84.7
Aug 2025	Q3	36.16	30.63	20.32	10.31	1	84.7
Sep 2025	Q3	36.21	30.68	19.30	11.38	1	84.7
Oct 2025	Q4	36.18	30.65	18.20	12.45	1	84.7
Nov 2025	Q4	37.51	31.81	17.35	14.46	1	84.8
Dec 2025	Q4	36.89	31.30	17.67	13.63	1	84.8
2025 average		36.00	30.53	19.70	10.83	12	84.8
Jan 2026	Q1	35.75	30.11	16.64	13.47	1	84.2
Feb 2026	Q1	34.95	29.40	17.31	12.09	1	84.1
Mar 2026	Q1	35.16	29.70	18.82	10.88	1	84.5
Apr 2026	Q2	35.15	29.63	20.25	9.38	1	84.3
May 2026	Q2	35.83	30.25	21.34	8.91	1	84.4
Jun 2026	Q2	35.31	29.76	22.20	7.56	1	84.3
Jul 2026	Q3	36.35	30.64	21.16	9.48	1	84.3
Aug 2026	Q3	35.79	30.21	19.80	10.41	1	84.4
Sep 2026	Q3	36.89	31.24	19.19	12.05	1	84.7
2026 avg. (Jan–Sep)		35.69	30.10	19.63	10.47	9	84.4

Notes. Total cost of production and Hartford price from Zwick Center for Food and Resource Policy, Connecticut Milk Cost of Production Estimates, Outreach Reports No. 80–90 (University of Connecticut, 2024:1–2026:3) The trigger prices for January 2024:1-July 2025:2 were estimated from data used for the corresponding Milk COP reports. Zwick Center. SUP = Statistical Uniform Price, Federal Milk Marketing Order 1. Trigger month = 1 if SUP ≤ trigger price; average rows show the number of trigger months.

Table B. Massachusetts Dairy Farmer Tax Credit Formula Applied to Connecticut, 2024.

Item	Connecticut	Massachusetts
Panel A. Connecticut Dairy sector		
Milk cows (head)	17,500	9,000
Milk per cow (lb)	24,229	20,000
Milk production (million lb)	424.0	180.0
Milk production (cwt)	4.24	1.80
Dairy farm revenue ($)	99,120,000	41,772,000
Appropriation ($)	Matching scenario	8,000,000
Panel B. Months credits are triggered		
Months triggered (SUP ≤ trigger price)	12	12
Trigger Percent (%)	100.0	100
Panel C. Adjustment factors to match Massachusetts		
CT/MA dairy farm production ratio (424/180)	2.36	
CT/MA dairy farm revenue ratio (99.1/41.8)	2.37	
CT/MA number of cows ratio (17,500/9000)	1.94	
Panel D. Price adjustments		
Index of prices paid by farmers (PPITW), Jan.-Sept. 2024	139.6	
Index of prices paid by farmers (PPITW), Jan.-Sept 2026	161.4	
Adjustment factor, Jan.-Sept. 2024 to 2026	1.156	

Notes. Milk cows and production from USDA National Agricultural Statistics Service, Milk Production (February 20, 2026). Dairy farm revenue, 2024, nominal dollars (Farm Income Statistics). Appropriation from FCE 2026 Review. Months triggered and shortfall from Table A. PPITW (2011 = 100) from USDA NASS Agricultural Prices

Table C. Connecticut Dairy Farmer Tax Credits Under Alternative Matching Criteria, 2024 and inflation-adjusted for 2026.

Scenario	Appropriation ($)	Credit rate ($/cwt)	Credit per $ sale ($)
Baseline: Massachusetts budget ($8 million)	8,000,000	4.44	0.192
Panel A. 2024 dollars			
Connecticut: match per cwt	18,844,444	4.44	0.190
Connecticut: match per dollar of sales	18,983,051	4.48	0.192
Average	18,913,737	4.46	0.191
Panel B. 2026 dollars			
Connecticut: match per cwt	21,784,202	5.14	0.190
Connecticut: match per dollar of sales	21,944,431	5.18	0.192
Average	21,864,316	5.16	0.191

Notes: $ sale = appropriation ÷ $99,120,000 Connecticut dairy farm revenue. Baseline row uses Massachusetts values (1,800,000 cwt; $41,772,000 revenue). 2026 dollars = 2024 dollars × 1.1560, the ratio of the January–September average index of prices paid by farmers in 2026 to that in 2024 (Table B); match per dollar sales appropriation adjusted by the same factor, so that credit per $sale remains unchanged since the numerator and denominator are adjustment by the same percentage.