

Testimony of  
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Testimony of Willard Rowell

2009 Crisis on the Farm:

The State Of Competition and Prospects for Sustainability in The Northeast Dairy Industry  
United States Senate

I operate a farm with my brother Brian and his family in Franklin County, Vermont. Green Mountain Dairy was Vermont's 2008 Dairy Farm of the Year and operates as a large farm under rules administered by the Vermont Agency of Agriculture.

We produce 23,000,000 lbs of milk annually, our herd numbers 900 lactating Holsteins, 150 dry cows, and 650 replacement heifers. Our waste stream is processed through an anaerobic digester, which offers the farm multiple benefits.

Cropland for the dairy consists of 1000 acres of corn, and nearly 500 acres of hay land. We utilize best management practices and operate the farm in an efficient manner.

Today we find ourselves in yet another dairy crisis and recognize that dairy farmers nation wide are producing milk well below their cost of production. Here in the Northeast the cost of production is approximately \$ 18cwt, the pay price for raw milk was \$10.25cwt and is presently \$11.25cwt, which leaves our farm over \$2.5 million dollars short of last year's income. In fact, these rates will find us \$1.6 million dollars short of breaking even for the year.

Our national annual milk production in the US amounts to 190 billion lbs and depends on export markets to achieve a balance between supply and demand to ensure fair pricing for our product. The world economy is in recession, consumer demand is down at home and abroad, last year's export markets of 11% have dwindled to 5 ½ % this year and the market has been over supplied with milk by about 4%.

The Market oversupply or surplus determines the pay price for 100% of milk produced which has created an untenable situation for the dairy farmer.

During the first six months of this year dairymen have converted \$4 ½ billion worth of equity to loans and continue doing so at a rate of \$800 million per month. Upcoming months will prove disastrous for many as equity is depleted and survival of the fittest plays its role. Presently, there is no dairy farm in the US supplying raw milk to the market at a profit to the farm.

The need to balance supply with demand seems obvious since the over supply determines pricing on all milk. During the past several years this country has struggled with the concept of supply management versus producing for an open market, our inability to recognize the role played by surplus milk today has us working for less than half of last year's price in other words we are producing 50% of our product for nothing by not recognizing the surplus.

Regarding the matter of balancing supply with demand, producers from across the nation are expressing interest in a plan developed by Holstein USA and The Milk Producers Council. The Dairy Price Stabilization Program (DPSP) provides for the establishment of a national 15 member Producer Board. The US Secretary of Agriculture shall appoint members to the Producer Board after considering nominations by any interested party. In addition, the Secretary shall appoint one dairy economist to advise the Board. The Board shall then advise the secretary on administration of the program. The program calls for producers to establish a Production base. The Board will meet annually to determine a production forecast, which will be revised through quarterly meetings. The Board will determine a market access fee to be levied against producers who exceed their production base and distribute the proceeds among those who did not exceed their production base.

The Dairy Price Stabilization Program is a budget neutral supply management tool by which the supply of milk can be balanced with demand through a National Producer Board representative of the dairy industry to stabilize milk prices. The program is currently being drafted as a Bill and will soon be introduced to the Senate.

As a member of the St. Albans Dairy Cooperative, I am very encouraged with a recent board decision, which endorses the concept of a National Supply Management Program to stabilize dairy pricing.

The matter of antitrust being pursued by Senator Leahy and Senator Sanders offices through the efforts of Assistant Attorney General for Antitrust, Christine Varney and Dr. Joseph Glauber, Chief Economist, US Department of Agriculture, is of vital importance, ensuring the dairy industry the opportunity to function on a level playing field in a competitive environment, which will prove to be of great benefit to the industry and the consumer.

Finally, to ensure stability in the Dairy Industry, there should be a comprehensive evaluation of Federal Milk Marketing Orders (FMMO); to determine if they function as intended, to determine the effectiveness of their design and to determine if they are representative of today's needs.

Senators, it is rather humbling to look at all the decent hard working people associated with agriculture and then have to recognize the state of our dairy industry. Today's world consists of 6.4 billion people, 9 billion will have arrived by the end of the century and we represent the people who will feed them.

We extend our gratitude to Senator Leahy and the Federal Delegation for conducting these hearings and providing responsible leadership.