

Statement of
The Honorable Patrick Leahy

United States Senator
Vermont
September 19, 2009

Statement Of Senator Patrick Leahy (D-Vt.),
Chairman, Senate Judiciary Committee,
"Crisis on the Farm: The State Of Competition
And Prospects for Sustainability in the Northeast Dairy Industry"
St. Albans, Vermont
September 19, 2009

I thank you all, everyone in this room, for coming today as we hold this hearing on the competition and crisis in the Northeast dairy industry. I would like to thank Representative Peter Welch, who was unable to be here today but has been leading the charge to address the dairy crisis in the House. We are grateful to all of our witnesses, and we know that some of you have made a great effort to travel to Vermont to participate. Finally, I would like to thank St. Albans' Mayor, Martin Manahan, for his hospitality.

This is an official hearing of the United States Senate Judiciary Committee, and the Senate's official rules of decorum will be in effect. We invite anyone who would like to express their views on the issues presented today to submit testimony for the record.

Before we start, I would like to take a moment to dedicate today's hearing in honor of Harold Howrigan and his service to this community, to our state and to Vermont's dairy industry. Harold was a great man, and a good man, whose accomplishments are as impressive as the personal legacy he has left behind. There were certainly a lot of years in his life, 85 in all, and there was a lot of life in those years. I am proud to have known Harold and am so fortunate to call him my friend. I will always look back fondly of my memories and times with Harold and his lovely wife, Anne. I know so many others will do the same.

Here in Vermont, the dairy industry is a pillar of our state's economy, culture and landscape. Though dairy farmers have long contended with the volatility of milk prices -- even more than they have had to adjust to changing weather -- today we face a crisis of epic proportions. Prices have fallen to lows that no one in this room thought we would ever see. The fact that the cost of production is higher than ever only compounds the problem, and has increased the gap between what it costs our farmers to produce milk and what they are paid for that milk.

The severity and urgency of this crisis cannot be overstated. Not just here in Vermont, but across the country, our bedrock dairy industry is on the brink of collapse. So many of our dairy farmers who had hoped to pass their farms on to future generations are now weighed down with loans and losing money every day. They feel those dreams slipping quickly away.

In Vermont, we have lost 35 of our dairy farms this year, and last year we lost another 19. Each loss of a Vermont dairy farm ripples through families, through our communities and through our economy. It has been easy for many Americans to take American dairy farmers for granted. Their hard work and steady contributions to the Nation's dinner tables and to our economy are a vital part of the infrastructure that is the miracle and the blessing of America's farms. They provide a highly perishable product that puts them more directly at the mercy of fluctuating markets and costs of production. We need both short-term solutions to get out of this crisis, as well as long-term solutions to make sure we do not return to this tumultuous cycle of volatility that threatens farmers' very survivability. That is the purpose of this hearing and of all of the efforts being made to stimulate the dairy industry.

The Senate Judiciary Committee continues to keep a close eye on competition issues in the Northeast dairy market. The current crisis only serves to illuminate the industry's structural issues. We are looking to the agencies that administer our laws to learn whether they have the tools necessary to protect dairy farmers and consumers, and whether those tools can be used to promote sustainability of family farms.

While many areas of the economy are suffering in this recession, the dairy industry is particularly hard hit. With consumer demand down, the price paid to farmers for milk has fallen to record lows. Consumers, however, have yet to see such a massive corresponding drop in retail prices on store shelves. We have long blown the whistle on this disconnect between the price farmers receive for their milk, and the retail price consumers pay in grocery stores. Earlier this year when prices paid farmers dropped by more than a quarter from January to February, consumers only saw store prices cut by six percent. This hurts both farmers and consumers, and suggests a much larger problem with competition and consolidation within the market. When consumers are in the grocery store they don't realize that less than 40 percent of what they spend on a gallon of milk makes its way back to our dairy farmers.

Farmers are doing all the work, they are taking all the risk, and they are making investments that span not just lives, but generations. They put their all into their farms, and all they ask is a fair price to keep their farms going. That's only fair, and that's only right.

The consolidation in recent years throughout the agriculture sector has had a tremendous impact on the lives and livelihoods of American farmers. It affects producers of most commodities in virtually every region of the country, and it affects Vermont's dairy farmers.

For decades, dairy farming in Vermont seemed immune from the consequences of restructuring and consolidation, because cooperatives also served as milk processors for local or regional markets. National markets did not exist. But times have changed and the structure is dramatically different today. The result has been a breakdown of competition, with Vermont dairy farmers not getting their fair share of the retail price of milk, while corporate processors appear to be raking in profits as they continue to raise prices to consumers.

As I think about the gap between retail and farm prices I cannot help but think back to 2001 and the Dean Foods merger with Suiza Foods. That merger created the largest milk processing company in the world, and I continue to be disappointed that the Justice Department under the previous administration approved it. Just as I had feared eight years ago, it seems that market

dominance has translated into overwhelming power in the dairy industry, and we have seen local dairies and processing facilities bought, and then closed.

While Dean Foods buys roughly 15 percent of the Nation's raw fluid milk supply, their strategic alliances with other entities expand the company's influence much further. One of these alliances is with the Dairy Farmers of America (DFA), the cooperative that represents 22,000 dairy farmers in 43 states. While it is difficult to point to one cause of the dairy farmer's plight, Dean Foods is posting record-setting profits and paying huge executive salaries. Meanwhile, the prices for dairy farmers are at all-time lows and forcing multi-generation farms out of business. This raises serious questions about the state of competition in the Vermont dairy market, and throughout the Northeast.

In the past, farmers unsatisfied with the prices offered by a processor or manufacturer could market directly to consumers. But those opportunities for independent marketing have been all but eliminated.

Time and again, many powerful interests have opposed our efforts to ensure free and fair markets for agricultural producers. Last month's announcement that the Department of Justice and the Department of Agriculture will be holding their first-ever joint workshops to discuss competition and regulatory enforcement in the agriculture industry is a welcome change. I am pleased that Assistant Attorney General Varney, the Department of Justice, Secretary Vilsack, and the Department of Agriculture are taking these issues so seriously.

We will hear first-hand testimony today about how, and why, Vermont dairy farmers are hurting. Bringing this hearing to St. Albans will ensure that Vermont's voice and Vermont's experience will help inform Congress about these issues. We want to build a hearing record that will let policymakers in Congress and Federal agencies hear directly from the farmers who are coping with this crisis every day. And as a part of that record, on behalf of Vermont's Secretary of Agriculture Roger Allbee, who unfortunately was not able to be here today, I would like to officially submit a copy of the Vermont Milk Commission's Final Report.

Senator Sanders and I recognize that today is a holiday for many, and we understand why Vermonters may not have been able to travel to this hearing. With that understanding, I invite all Vermonters to submit testimony for the record, which will remain open until September 30. Information about how to submit testimony is available here today.

I look forward to the testimony of all of today's witnesses as we continue to seek new ways to address the dairy crisis and improve market opportunities for America's farmers and ranchers.

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