Testimony of Congressman Peter Welch (VT-AL) before the House Dairy and Livestock Subcommittee on July 14, 2009.

Good morning. Thank you, Chairman Peterson, Chairman Scott, and Ranking Members Lucas and Neugebauer for inviting me to testify before the Committee today and for recognizing the great peril facing the dairy industry and farmers who sustain it.

Throughout Vermont's history, dairy has played a vital role in shaping our state's economy, infrastructure, culture and landscape. For just as long, Vermont dairy farmers have labored in a challenging industry with great economic risk and uncertain reward. Though volatility in milk prices has long plagued our farmers, today we face a crisis like we've never seen before. Prices have fallen to record lows even as the cost of production continues to rise – pushing scores of farms out of business. In the past five years alone, Vermont has lost over 250 dairy farms, leaving us with only 1,046 today. Thirty-two of those farms have been shuttered since the start of this year alone.

The depth of this crisis cannot be understated. Vermont's farmers, government leaders and agricultural experts agree: Our state's dairy industry is on the brink of total collapse. With dairy representing 70 percent of Vermont's agricultural economy, we could very well see a wholesale failure of our entire agricultural infrastructure – forcing out of business feed dealers, equipment suppliers, processing plants, farm creditors and many more.

The human cost of this economic tragedy can be seen in cases like that of Bob and Beth Kennett, who, like many Vermonters, have labored all their lives only to find an uncertain future in the field they have chosen. Since they purchased Liberty Hill Farm in Rochester, Vermont, 30 years ago, they have watched as neighbor after neighbor shuttered their farms and sold off their herds. Though 50 farms populated the Kennett's Upper White River Valley community in 1960, just 11 remained in 1979. Today, the Kennetts are the only family left still in business.

Like many Vermont families, Bob and Beth Kennett had hoped to pass their farm on to their children, Tom and David, who were raised on Liberty Hill and who both earned college degrees in agriculture before moving back to Rochester to raise their own families on the farm. Together the Kennetts expanded their operation from 50 to 120 cows and pursued innovative strategies like opening an agri-tourism guest lodge. But despite their efforts and their hard work, the family now finds itself saddled with loans and losing money with every passing day. Like so many Vermonters, they just don't know how much longer they can afford to keep their doors open.

Vermont is awash in stories like the Kennett's — and as farmers cope with mounting losses, the psychological impact is beginning to show. Earlier this year two California dairymen took their own lives as milk prices plummeted and financial ruin appeared imminent. To prevent similar tragedies from occurring in Vermont, the state Department of Agriculture and the University of Vermont have established a farm help line to provide psychological aid as the price crisis continues.

Beyond the tremendous suffering born by farmers themselves, the impact of a closing farm on its surrounding community and local economy is significant. Vermont businesses with a stake in dairy reported $426 million in sales in 2001 and employed 7,800 workers. According to the Vermont Department of Agriculture, 96 percent of supplies used on dairy farms are purchased locally.

Among the many businesses supported by dairy – including veterinarians, fertilizer suppliers and hardware stores – feed dealers have been among the hardest hit. Art Whitman, a feed dealer from North Bennington, Vermont, has found himself lending more and more of his product to customers who have been unable to pay their bills, turning him into an ad-hoc lender. As Art's own creditors have grown impatient, he faces the difficult choice of demanding payment from nearly-bankrupt farmers and risking his own livelihood.

Saving Vermont's and New England's dairy industry will require both immediate action and long-term reforms. The most immediate assistance we can provide dairy farmers to survive the current crisis is an increase in Milk Income Loss Contract (MILC) payments. While MILC has helped ward off full-scale disaster so far, the disparity between the price of milk and the cost of production warrants a reevaluation of its payment formula. With farmers spending nearly $19 and earning back less than $12 for every hundredweight they produce, MILC payments between 2 and 3 dollars are simply not enough to keep them afloat.

I and several of my colleagues have been advocating for an increase in MILC payments since this crisis began. The Northeast Association of State Departments of Agriculture wrote to Congress in April asking that we raise the MILC payment rate from 45 percent to 79 percent and revisit the current cap of 2.95 billion pounds of annual production. I support this proposal as a short term solution to help put money back in the pockets of producers until prices recover. I realize there is a reluctance to re-open the 2008 Farm Bill, but I would urge the Chairman and the Committee to recognize the extreme nature of this crisis and to make an exception in this case.

The Dairy Export Incentive Program (DEIP) is working to re-open foreign markets, and I was encouraged that the USDA announced the implementation of the program for the coming fiscal year. I want to thank Chairman Peterson and the Committee for their support of the DEIP program and their support of its implementation. I also want to encourage Secretary Vilsack to use the Dairy Product Price Support Program to increase the support price for dairy products. The current price supports are far too low to help producers and must be raised during this crisis.

As we treat the short-term symptoms price volatility, we must not lose sight of the need to develop a long-term solution to the problem. In 2006 the average price paid to farmers for milk in Vermont was $12.60; just a year later the price rebounded to $18.84. Last year producers were paid an average of $18.09; this year, the average price is down to $11.66. These constant price swings make dairy farming a challenging enterprise. Most of the producers I have spoken with have candidly told me they would rather make less during the boom years in exchange for price stability.

This current price crisis is impacting every dairy-producing region from the Northeast to the Upper Midwest and the West. If we don't act now to bring about long-term reform, we will be forced to revisit the same problem the next time dairy prices crash —that is, assuming our farms survive the present crisis. Several different plans are being discussed by producers, processors and industry groups, and I strongly encourage the Committee to consider all of them.

Once again, I thank the Committee for holding this hearing and thank you for inviting me to testify today.