



NEW YORK STATE SENATOR
Darrel J. Aubertine

Aubertine to Dairy Industry Advisory Committee: Vertical Integration, Anti-Trust Concerns, Transparency Must Be Addressed in Defense of the Family Farm, Our National Security, and Our Economy

DARREL J. AUBERTINE June 3, 2010

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 COMMITTEE: **AGRICULTURE**

CHIEF
 AGRICULTURE
 JONATHAN CLARK
 U.S. DEPARTMENT OF AGRICULTURE
 1400 TOMPKINS AVENUE
 WASHINGTON, DC 20250

THE SENATE
 STATE OF NEW YORK

DARREL J. AUBERTINE
 SENATOR, 48TH DISTRICT

LEGISLATIVE OFFICE BUILDING
 JENNIFER W. WOOD
 12240 ROCKVILLE PIKE
 SUITE 400
 ROCKVILLE, MD 20850

Dear Mr. Clark,

I am pleased to be invited to the Dairy Industry Advisory Committee. As a farmer, who milked cows for 35 years, and chair of the New York or Senate Committee on Agriculture, I am glad to have this opportunity to share my views with you.

As you are aware, it cannot be over stated that domestic production of milk within the dairy industry is on the brink of collapse. Despite the fact that consumer prices are at or near an all-time high, farmers in New York and across the country are paid no more now for their milk than they were paid 30 years ago. Over that same time span, more than a farm a day, or eight per week, in New York State have closed. Many have sold out to another farm in the hopes of staying in business by just milking more cows.

The fact is that approach worked for some short term, but this latest slump in prices has hit biggest and smallest farms, because you cannot stay in business when you lose between \$10 per hundredweight of milk sold. Not since the early 1990s has the price of milk in consistently higher than the United States Department of Agriculture's official cost of production. This slump has thrown farmers into our nation's welfare class requesting federal subsidies to avoid total collapse.

However, not every segment of the dairy industry is struggling—dairy processors continue to record profits year after year on the backs of farmers and the taxpayer. While loudly addressing the many concerns relating to price manipulation and anti-trust, the reality is that the dairy farmer will be lost in this country with many other agricultural farms to follow. This will leave our citizens without a domestic food supply and dependent on an increasingly overburdened and woefully unregulated world food market.

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It is my expectation that this panel will take this reality very seriously. Certainly, the processors are not the enemy of farmers and their profits does benefit farmers because these manufacturers provide a market for the milk. However, the processing sector has openly sought new ways to cut the local farmer out, through imports and powders. The remaining farmers are left with a relationship that involves more taking than giving on the part of the processors.

Enforcing existing anti-trust laws to prevent the mega-mergers that are forcing the vertical integration of American agriculture would create a more fair market. In 1921, the Packers and Stockyards Act was passed in direct response to the near 50 percent consolidation of the U.S. meatpacking industry by a mere five packers. Five corporations control more than 89 percent of all beef processing today. Rather than blocking the consolidation of these giant conglomerates, the federal government continues to approve mergers. For example, the Cargill-Continental deal concentrated 42 percent of U.S. corn exports, nearly one-third of soybeans, and 20 percent of U.S. wheat exports into the hands of a single transnational company.

How can family farms compete against transnational corporations that fix prices through closed contracts, have guaranteed tax benefits that are not available to an independent farmer, and can influence trade deals? These unequal benefits and the apparent skirting of anti-trust laws are perpetuated by a milk marketing system that undervalues what a farmer is paid by processors. This results in a system that provides no real protection for consumers from unregulated imports such as milk protein concentrates or melamine adulterated foods, and devastates our rural tax base and economies which have depended on thriving agriculture industries to support jobs on and off the farms throughout our nation's history. Our national security, our food security and our economic security depends on our agriculture industry.

In 1785, Thomas Jefferson wrote to John Jay that America's farmers were our "most vigorous, most independent, most virtuous" citizens, who are "tied to their country and wedded to its liberty and interests with the most lasting bands." Today, our farmers are too often forgotten in the discussions of economic development and national security because they are increasingly becoming too few.

Resisting consolidation will encourage more fair competition in the market, but so too will requiring price disclosure. While bankrupt family farmers are shooting cows or selling them well below value, processors are cashing in on contracts with dealers. By law, processors only have to reveal the prices they pay in the open market, contracts have always been private. The family dairy farm with a perishable product and only one commodity buyer must contend with an anti-competitive producer-processor partnership that makes basic pricing privileged information.

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Recent history has made clear the link between our energy independence and our nation's security. We cannot afford to have a counterproductive drive to re-secure our food independence. As a nation, we can learn from the mistakes made in becoming too dependent on foreign energy by not allowing ourselves to become too dependent on foreign food. If the two issues are related in more ways than one, as renewable energy is a new industry can be tailored to benefit farmers. This industry creates more than 40,000 jobs, adds more than \$12 billion nationally in net farm income each year and decreases the demand for OPEC oil.

As we support energy independence, so it is incumbent on this panel and all Americans to push for policies that benefit the independence of our family farms. We must keep faith our founding fathers by ensuring that their dreams are not buried beneath dumped imports or bottom lines.

Family farmers are not begging for federal handouts. Farmers are proud people, who, for love of the land and their industry, have weathered droughts, overcome disease, and endured depression. They simply want their labor to be valued, their products to be competitive, and their own government to take their side in the global marketplace. America's farmers are asking nothing more. They deserve nothing less.

It is with great concern for our nation and the state of New York that I will continue to weigh in on these important issues and the dairy industry as a whole. I certainly appreciate your focus on this issue as well. If I can be of any assistance, please contact me through office at 518-455-2781.

Sincerely,

 Darrel J. Aubertine
 State Senator

WASHINGTON, D.C. (June 3, 2010)—State Sen. Darrel J. Aubertine today submitted comments to the U.S. Department of Agriculture's recently created Dairy Industry Advisory

Committee stressing the need to address vertical integration in the industry, anti-trust concerns, and the risks of dependence on foreign food.

“The struggling dairy industry puts other sectors of the Agriculture industry as a whole in jeopardy,” said Sen. Aubertine, chair of the Senate Agriculture Committee. “In New York and other areas of this country, dairy supports the infrastructure used by all farmers and the collapse of the dairy industry, or just the collapse of domestic milk production, would drive this nation into a food crisis. We must not become dependent on a world food supply that is already expected to be running short in the next few decades. Protecting the family farmer is a matter of national security and good economics.”

In his testimony, which was read to the committee by New York State Senate Agriculture Committee Director, the Senator stresses the economic value of dairy farming and the jobs it supports, along with the need for food security and the lessons learned from becoming too dependent on foreign oil. He notes the record profits in the processing sector, higher prices for consumers and business practices aimed at cutting the local farmer out. He calls for the enforcement of anti-trust laws, a resistance to consolidation in the industry, and price reporting of contract deals by processors.

“This is about defending the family farm,” Sen. Aubertine said. “It is incumbent on this state to do all it can to help our farmers, but the larger issues are all federal and we need action. This advisory committee must stand up for our dairy farmers and not back down from the challenge of restoring parity in an industry that has farmers on the brink of collapse and consumers paying more than ever. This committee has the potential accomplish real change, if they use their power on behalf of the farmer and the consumer.”

Below is the text of the Senator’s testimony:

Dear Committee Members:

Thank you for this opportunity to provide public comment and for taking an active look at the dairy industry. As a farmer, who milked cows for 35 years, and chair of the New York State Senate Committee on Agriculture, I am glad to have this opportunity to share my thoughts with you.

As you are aware, it cannot be over stated that domestic production of milk within the dairy industry is on the brink of collapse. Despite the fact that consumer prices are at or near an all-time high, farmers in New York and across the country are paid no more now for their product than they were paid 30 years ago. Over that same time span, more than a farm a day, some eight per week, in New York State have closed. Many have sold out to another farm with the hopes of staying in business by just milking more cows.

The fact is: that approach worked for some short term, but this latest slump in prices has hit the biggest and smallest farms, because you cannot stay in business when you lose between \$6 and \$10 per hundredweight of milk sold. Not since the early 1990s has the price of milk been consistently higher than the United States Department of Agriculture’s official cost of production. This slump has thrown farmers into our nation’s welfare class requiring federal subsidies to avoid total collapse.

However, not every segment of the dairy industry is struggling—dairy processors continue to see record profits year after year on the backs of farmers and the taxpayer. Without seriously addressing the many concerns relating to price manipulation and anti-trust, the reality is that the dairy farmer will be lost in this country with many other agricultural sectors to follow. This will leave our citizens without a domestic

food supply and dependent on an increasingly overburdened and woefully unregulated world food market.

It is my expectation that this panel will take this reality very seriously. Certainly, the processors are not the enemy of farmers and their profit does benefit farmers because these manufacturers provide a market for the milk. However, the processing sector has openly sought new ways to cut the local farmer out, through imports and powders. The remaining farmers are left with a relationship that involves more taking than giving on the part of the processors.

Enforcing existing anti-trust laws to prevent the mega-mergers that are forcing the vertical integration of American agriculture would create a more fair market. In 1921, the Packers and Stockyards Act was passed in direct response to the near 50 percent consolidation of the U.S. meatpacking industry by a mere five packers. Five corporations control more than 89 percent of all beef processing today. Rather than blocking the consolidation of these giant conglomerates, the federal government continues to approve mergers. For example, the Cargill-Continental deal concentrated 42 percent of U.S. corn exports, nearly one-third of soybeans, and 20 percent of U.S. wheat exports into the hands of a single transnational company.

How can family farms compete against transnational corporations that fix prices through closed contracts, have guaranteed tax benefits that are not available to an independent farmer, and can influence trade deals? These unequal benefits and the apparent skirting of anti-trust laws are perpetuated by a milk marketing system that undercuts what a farmer is paid by processors. This results in a system that provides no real protection for consumers from unregulated imports such as milk protein concentrates or melamine manipulated foods, and devastates our rural tax base and economies which have depended on thriving agriculture industries to support jobs on and off the farms throughout our nation's history. Our national security, our food security and our economic security depends on our agriculture industry.

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Recent history has made clear the link between our energy independence and our national security. We cannot afford to have a catastrophe drive us toward re-securing our food independence. As a nation, we can learn from the mistakes made in becoming too dependent on foreign energy by not allowing ourselves to become too dependent on foreign food. And the two issues are related in more ways than one, as renewable energy is a new industry that can be tailored to benefit farmers. This industry creates more than 40,000 jobs, adds more than \$12 billion nationally in net farm income each year and decreases the demand for OPEC oil.

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corporations with no allegiance to anything but their own bottom line.

Family farmers are not begging for federal handouts. Farmers are proud people, who, for love of the land and their industry, have weathered droughts, overcome disease, and outlasted depression. They simply want their labor to be valued, their products to be competitive, and their own government to take their side in the global marketplace. America's farmers are asking nothing more. They deserve nothing less.

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