

Testimony of Robert D. Wellington
Sr. Vice President, Agri-Mark Dairy Cooperative
Relative to
S.B. 946 AN ACT CONCERNING REVENUE ITEMS
TO IMPLEMENT THE GOVERNOR'S BUDGET

My name is Robert D. Wellington and I am testifying here today as a dairy economist with 36 years of experience in the national and Northeast dairy industries. I am also appearing on behalf of Agri-Mark Dairy Cooperative, which is proud to have the majority of Connecticut dairy farm families as members, along with more than a thousand fellow such farm families from New England and New York State.

We are seriously concerned about the possible loss of funds for the Agricultural Sustainability Account and the Dairy Farmer Support Program. This program has made a tremendous difference in the financial viability and sustainability of the more than 130 dairy farm families in Connecticut. Those farms are the economic engine that drives upwards of \$1 billion of economic activity and 2,500 to 4,200 jobs, according to the UCONN report, "The Economics and Fiscal Impacts of Connecticut's Dairy Industry." As the report further explained, "It is important to note that the dairy industry is not just farms and open space, it is transportation, heavy machinery, jobs in food production, manufacturing, construction and sales." But it all begins with local dairy farms producing high quality milk and other products.

Connecticut dairy farmers face unique economic problems because they have no control and almost no say in the price they receive for the milk they produce. Local supply and demand are almost meaningless factors in markets that use national and international circumstances to set prices. Connecticut's 383 million pounds of annual milk production is important to the state's consumers, but it has little impact in a U.S. market with 206 billion pounds of domestic production. Last year alone, U.S. milk production increased by almost 5 billion pounds!

This situation has gotten even more challenging for local dairy farmers as we have become intricate parts of a world market producing many times the U.S. total. Every Connecticut dairy farm could go out of business today and it would have no impact on nationally and internationally set milk and dairy product prices. The irony is that dairy farmers in rapidly growing milk production states like Colorado, South Dakota and Michigan and countries like

New Zealand, Australia and India would never provide a drop of fresh milk for Connecticut consumers.

Farm milk prices are once again plummeting down a perennial rollercoaster. National milk pricing employed by USDA has driven Connecticut farm milk prices down 33% since last September (from the announced prices of \$26.16 per cwt. in September 2014 to \$17.57 in January 2015.) February and March prices have not been announced yet, but further declines are extremely likely.

The cost of producing milk is much higher in Connecticut than the national average. UCONN has estimated such costs in the state at over \$30 per cwt. USDA typically reports national costs at levels closer to \$20 per cwt. Of course that does not factor in the high transportation costs of bringing in milk long distances if local Connecticut milk was not available nor the lack of any assurance that such milk would even be available if it was instead needed in the state of origin.

Connecticut is not alone in this farm milk pricing predicament. Most Northeast states have this problem. Both Massachusetts and Maine have joined Connecticut in recognizing the value of having a viable local dairy industry and implemented sustaining payments to their dairy farms to better assure that they remain in business. Both states have conducted their own cost of milk production studies and concluded that their average costs also exceed \$30 per cwt. These states are facing similar budget problems as Connecticut, but have chosen to give a spending priority to supporting local farms that significantly boost local and state economies and provide a secure food source for their citizens.

Vermont has done likewise in the past, but has a larger dairy industry needing support and a much smaller population to supply the means of that support. However, that state has just produced a valuable report entitled: "MILK MATTERS: The Role of Dairy in Vermont." Much of what it contains also applies to Connecticut and I will have copies available to the Committee for their reference.

The economic benefits of a dairy industry are well-documented, but it is not the only important reason to sustain this industry. Social, aesthetic and food security values are equally important to many Connecticut citizens. Buying local represented the knowledge of where one's food originates, supporting its production and trusting those that produce it. The character of Connecticut would be very different without the working landscape of dairy farms and the high percentage of all agricultural land in the state that those farms plant and harvest each year.