

Act. Because this Act supersedes any State law which allows a plaintiff to pursue or collect any amount in damages or liabilities which are above and beyond the amounts provided for in this Act, the conferees want to clarify the wording of this section. The new wording, "stricter limits," coupled with the language "affording greater protection to defendants in Y2K actions" than would be afforded under the Act, ensures that this Act grants deference only to State laws which cap damages and liabilities at a lower amount than provided for in this Act.

From the Committee on the Judiciary:

HENRY HYDE,
F. JAMES SENSENBRENNER,
Jr.,

BOB GOODLATTE,

From the Committee on Commerce, for consideration of section 18 of the Senate amendment:

TOM BLILEY,
MICHAEL G. OXLEY,

Managers on the Part of the House.

From the Committee on Commerce, Science, and Transportation:

JOHN MCCAIN,
TED STEVENS,
CONRAD BURNS,
SLADE GORTON,
RON WYDEN,

From the Committee on the Judiciary:

ORRIN HATCH,
STROM THURMOND,

From the Special Committee on the Year 2000 Technology Problem:

ROBERT F. BENNETT,
CHRISTOPHER DODD,

Managers on the Part of the Senate.

MILK, A CONTROVERSIAL ISSUE

The SPEAKER pro tempore (Mr. PETERSON of Pennsylvania). Under the Speaker's announced policy of January 6, 1999, the gentleman from Minnesota (Mr. GUTKNECHT) is recognized for 60 minutes or less.

Mr. GUTKNECHT. Mr. Speaker, tonight we are going to talk about an issue which I suspect most of our colleagues and anyone else who might be watching on C-Span tonight would say, how in the world can the issue of milk be a controversial issue?

I think if they pay any attention tonight, they will find that milk is an enormously controversial issue, particularly for those of us in the upper Midwest. It is a very difficult issue I think for the average person to completely understand, and we hope that we do not bore our colleagues who may be watching tonight.

It is a little like the story of the little boy who came in and asked his mother a question. His mother was kind of busy and she said, well, why don't you ask your dad? The little boy, said, well, I didn't want to know that much about it. I suspect a lot of people who may tune in tonight may say, well, I did not want to know that much about milk policy here in the United States.

To start off, though, I think we have to kind of look at this chart and begin to understand the history. First of all, let me say that this is June. It is Dairy Month.

□ 2115

Some people know that. A lot of people do not know that. But June is dairy month for a very interesting reason.

Back in the thirties, farmers recognized that in June, we reach what is called the peak of the spring flush. That is when dairy cows produce the most amount of milk they are going to produce all year. At the same time, schools get out, a lot of kids go home, they drink less milk, more soft drinks, more lemonade and so forth, and so at the very time milk production goes to its peak, consumption drops.

Back in the thirties the Chain Drug-store Association got together with the Dairy Association and had the first dairy month. Now it has become a very big event, particularly in the upper Midwest, and we encourage people all over the country to enjoy milk, but, more importantly cheese and cottage cheese and yogurt, ice cream, all the other things made from the real thing, dairy products, real cheese, real milk.

Back in the thirties we were suffering from some rather difficult financial circumstances for all Americans, but for farmers in particular, and they came up with a rather convoluted system back in 1937 as part of the agricultural marketing agreement in 1937 to create various regions around the country and price milk based on where it came from and what it went into.

We are going to talk about this whole issue a little bit tonight, but I want to talk about the disparities that this system is creating.

This is the 1998 average blend prices for current Federal milk marketing orders. What it demonstrates, and I think the numbers may be too small to really pick up on the television screen, so any of the Members who may be watching in their offices who would like a smaller version of this so that they can actually look at it and read the numbers, I am going to read some of them for you. But in effect what we have is a system where milk is priced to the dairy farmer based on what it goes into and where it comes from.

Now, this may seem bizarre, but in 1937, Eau Claire, Wisconsin, was considered the epicenter of the dairy production area in the United States. Anybody who has ever watched a Green Bay Packers game understands that there is an awful lot of cheese produced in Wisconsin. There is also a lot of cheese produced in my district. As a matter of fact, there is one cheese plant in my district that produces 500,000 pounds of cheese every single day. That is a lot of cheese, and, of course, we cannot eat all of that cheese in the upper Midwest. But what they did is they created this system because they decided that Eau Claire, Wisconsin, was the epicenter of the dairy production area for the United States.

They said the closer you are to Eau Claire, Wisconsin, the less you will get for your milk. Because of all the cheese plants and because back in 1937, we did not have the interstate highway sys-

tem and refrigerated trucks, it probably made some sense back in 1937 to have a system so that it would encourage production in places like Texas, Los Angeles, the Pacific Northwest, particularly out here in the populated areas of the eastern seaboard, Boston, New York, Washington. They wanted to encourage more dairy production in those areas relative to Wisconsin, Minnesota, northern Illinois and Iowa.

So they came up with this rather convoluted system, which may have made some sense in 1937, but, guess what, since 1937, we built the interstate highway system, we have refrigerated trucks that can now get milk almost anywhere in the United States within a matter of a few days, while the milk is still absolutely fresh, delicious and wonderful to enjoy.

But we still have the system. It is interesting, once you create a Federal Government program, in fact, Mark Twain once observed the most permanent thing on Earth is a temporary government program. Back in 1937 they created this system, and to give you some of the numbers that are shown on this chart to kind of give you an idea of the differences, the average blended price for the upper Midwest, including Minnesota, most of Wisconsin, the eastern Dakotas, part of northern Iowa, and I think it actually gets into northern Illinois, the average blended price last year that was paid to dairy farmers was \$13.57 per hundred pounds of milk.

Now, that is another thing most people do not understand. The dairy farmer always receives his milk check based on the number of hundreds of pounds of milk. So the average dairy farmer in the upper Midwest got \$13.57. That was what the Federal Government mandated. "Mandated" is an important word. We are going to talk about that a little bit.

Now, if you were a dairy farmer for example in Washington or Oregon, the Federal Government mandated a price of \$14.75. If you were in central Arizona, that price was \$14.90. But if you lived down here in the southeast, one of the States that produced milk, for example in southern Tennessee, Mississippi, Alabama, Georgia, that dairy farmer got \$16.13, mandated by the Federal Government. If you lived in southern Florida, for example, down in the Tampa Bay region, your price was \$16.82. The differential, \$13.57 if you live in my district, or Wisconsin or parts of Illinois, \$13.57, but if you are down in Florida, it is \$16.82.

Again, that may have made sense back in 1937 when we did not have the interstate highway system, did not have refrigerated trucks, but it does not make a whole lot of sense today. So we are here tonight to talk about this and sort of raise some of the questions, rhetorical questions, and ask if anybody can honestly defend a system that says to dairy farmers that your product will be based on where it comes from and what it goes into.

Incidentally, to make things even more complicated, yes, milk is priced based on what it goes into. If your milk goes into fluid milk, the stuff that comes in containers that you drink and everybody loves, good for your body, gives you a white mustache, if it goes into fluid milk, it is worth more than if it is going into what is called Class 2 milk, which is spoonable. That would include ice cream, cottage cheese, yogurt. Class 3 milk is products like cheese and butter. Class 4 milk is powdered milk.

So we have four classes of milk, and, again, that determines the price that the dairy farmer gets that does all of the work, that gets up every morning at 5 o'clock in the morning because cows have to be milked at least twice a day. This is not a job for the faint of heart. Anybody who wants to go into the dairy business, see me, because there are lots of people looking for folks who want to get up at 5 o'clock every single morning, 365 days a year, and milk those cows. That is what they have to do.

But the real problem is if you live in Minnesota, Wisconsin, what we call the upper Midwest region, the eastern Dakotas, you get \$13.57. If you live in southern Florida, you get \$16.82. Now, is it any wonder that some of our producers in the upper Midwest say, this is not fair? It is absolutely not fair. That is a system that we hope to change.

I started this conversation tonight by saying you would not think that milk is a particularly controversial issue. Well, it is, because, believe it or not, the people in Florida think this is a pretty good system. What is wrong with the system that pays our dairy farmers \$16.82? In fact, I am in my third term in Congress. I have learned in those three terms that whenever you talk about leveling the playing field, you can always bet that at least half of the people participating in that debate do not want to level the playing field. Why? Because relatively speaking, their constituents lose.

Well, the point that we have been making in the upper Midwest since 1937, now, let me do a little arithmetic, it is now 1999, less 37, that amounts to, what, 62 years. For 62 years the dairy farmers in our region have been receiving less money relative to dairy farmers in anywhere else in the United States. So for 62 years we have been saying it is time to level the playing field.

I have got another chart here, and, again, if anyone would like a copy of these charts, we would be more than happy to send them out. If you contact my office we will send them to you. But this gives some idea of the producer Class 1 blended price benefit.

A regional average, it shows how the differences work out between the northeast, the average, what the average is in the Appalachian region. Florida, for example, as I mentioned, you can see by this bar chart, Florida receives the best of all the deals, and, un-

fortunately, the region that we represent is down here way at the bottom.

Again, we are not asking for special privileges, we are not asking for special favors, but we are asking in the day and age when we have the interstate highway system, we have refrigerated trucks, all we are asking is for equal pay for equal milk.

I have joining me tonight a couple of my colleagues, one from Illinois and one from the State of Wisconsin, and I want to yield some time to my colleague, a freshman member, the gentleman from Wisconsin (Mr. RYAN), from, I believe, the First Congressional District. I represent the First Congressional District in Minnesota the gentleman from Wisconsin (Mr. RYAN) represents the First Congressional District in Wisconsin. I wonder if you want to talk a little bit about this and what the dairy farmers are talking about and ultimately the unfairness of the system we have.

Mr. RYAN of Wisconsin. I thank the gentleman for yielding. I would like to thank the gentleman from Minnesota for your leadership on this issue. As you know, I am a new Member of Congress. I was just elected in this last November elections. I was elected as a Republican based on the free market, thinking that we were here to make sure as we go into the next century, we will do so based upon the principles that built this country, that the individual is the nucleus of our society, the individual is the nucleus of our economy, based on the principles of the market.

When I had come to learn the kind of system we have, that binds our dairy markets, it is absolutely amazing that we still have a dairy market, that we still have a dairy policy that is based upon a geographical location in the middle of the United States, in Eau Claire, Wisconsin. Well, I come from Wisconsin.

There is something else that is happening for Members that are viewing this in their office. There are Members of the Republican Party who are advancing legislation right now to try to solidify the status quo. We are actually trying to move toward the market direction and the USDA is actually moving in that way. I would like to go through some remarks first and then I would like to ask my senior colleague from Minnesota a few questions.

Today I am here to join you, to express strong opposition to the legislation that is being introduced by the gentleman from Missouri (Mr. BLUNT), a Republican. This legislation is scheduled to be marked up in the Committee on Agriculture actually tomorrow.

This legislation would essentially say that we are going to force the status quo on the rest of the country. Not only are farmers who lived under the current system for 62 years have to do so, this legislation proposes that farmers continue to live under the current system.

What does this do? This system forces a continuation of this welfare

system that will be funded on the backs of hard-working farmers in the Midwest, and particularly in the upper Midwest. The USDA has a proposal which goes moderately in the right direction toward a market-based system. It does not go all the way, but it goes a good step in the right direction.

The USDA proposal reflects a step toward a more market-friendly system. As Republicans, I think it is important to be fighting for this system, not against it. But I do not see this as really a partisan issue. This is just an issue about fairness and equity.

As representative from Wisconsin, which as everybody knows, is America's dairyland, if you see anybody drive by in Wisconsin, you see the license plate says "America's dairyland." The problem in Wisconsin is we are losing dairy farmers every single year. We are America's dairyland right now; we have been America's dairyland forever.

My fear is we will not be America's dairyland in the future, because just last year we lost 2,000 dairy farmers because of this antiquated system. That is 2,000 dairy farmers.

I just enjoyed participating in the Kenosha County Dairy Day breakfast. You mentioned June is dairy month. I participated in the Kenosha dairy breakfast about 2 weeks ago in Kenosha, Wisconsin, out in the county area. What was wonderful was to see all the children running around enjoying milk. The Dairy Days in Wisconsin is an opportunity for people in the cities to come out and see how farm operations work, to see how farmers work, to see how you have to get up so early in the morning to milk the cows and you have to do it twice a day, to appreciate nature, to appreciate rural America, something we are so prideful of in Wisconsin.

My fear is if we keep this antiquated system in place, we will not see those days, at least in Wisconsin, because we are losing so many dairy farmers.

Well, as a representative from Wisconsin, from America's dairyland, I feel it is my duty to address the devastation this bill will cause, not only for the farmers in my personal district in Wisconsin that I serve, but also for other Midwest regions.

The dairy farmers in the Midwest have long been operating under this system that penalizes them for being more efficient and more productive. These are principles that we as a Nation should be advocating. However, I stand before you today, and I see other Members, other Members of Congress from all these other regions, fighting to keep this antiquated system in place.

So when you come to Congress and you think we are going to fight for fairness, we are going to fight for equity in this country, it is not always the case. The system that we have today may have been appropriate in the 1930s, as the gentleman from Minnesota mentioned, but the need for

that kind of system is gone. We have the interstate highway system, we have refrigerated trucks. Advances in technology and transportation have simply eliminated the need for this type of antiquated system.

Other regions in this system enjoy surpluses in dairy production. The surplus State is no longer just Wisconsin. We have surplus States all over the country. Your ability to get milk no longer depends on how close or far you live away from Eau Claire, Wisconsin. In my opinion, it is time to stop punishing Midwest farmers based on this horse and buggy perception of the world around us.

Now, in 1996, Congress recognized this. They recognized that this system has outlived its usefulness. In 1996, the farm bill required that the USDA reform the milk marketing order in a fair and equitable manner.

□ 2130

We relied on the USDA to develop a proposal that would serve all farmers in the country in the best possible way. This was a wise decision by Congress in 1996. The only objective of the USDA was to create a more fair and more equitable system based on market forces.

So what we have before us today, after the USDA floated two rival proposals, one we call 1-A and one we call 1-B, 1-A was more or less the status quo, 1-B was going more toward the market-driven area, so the location on where one lived did not have such a bearing on the price a farmer gets for the milk he produces. What the USDA came out with was something in between, a step toward 1-B, a step away from the status quo. This will take place if nothing else is done. But there are forces that are building here in Congress to stop this small reform from taking place.

One of the things that the Members of Congress who are from these other regions have been saying, they have been using these exaggerated claims that this kind of reform, this small reform toward the market-based system, will devastate farmers across the country. They are using exaggerated estimates. I would like to address that for one moment.

Contrary to these exaggerated claims that this will result in huge losses to dairy farmers across the country, the USDA estimates that this change will result in a loss of revenue of approximately \$2.8 million on average in all Federal order regions. Let me put that in perspective. The total loss per hundredweight, per hundred gallons of milk, is estimated to be about .02 cents under the new regulation proposed by the USDA, not the massive losses that the proponents of the status quo are saying.

Now, this nominal change in revenue will make all the difference to the farmers in the first district of Wisconsin, which I represent; in northern Illinois, as my colleague, the gentleman from Illinois (Mr. MANZULLO), will soon

talk about. I urge my colleagues to rely on the expertise of the USDA and allow the reform decision of the USDA to stand. I urge my colleagues who are thinking of freezing in place the status quo to think about the principles that built this country. Do we want to freeze in time 1937? Because today is 1999. We do not live under 1937 circumstances. We have the technology, we have the transportation, we have the advances to allow the milk pricing system to set up in a fair and equitable way.

There is one other way of looking at this issue, because I know this dairy issue can be quite complex. We have Class 1, Class 2, Class 3, and Class 4 milk. We have all of these different milk marketing orders. Let us put it in this kind of perspective.

What about orange juice? Do orange producers get a higher price for orange juice if they live farther away from Florida? It is sort of like saying that since I live in Janesville, Wisconsin, I should pay a higher price for the orange juice I purchase because it is made in Florida, but someone who lives in South Carolina will pay less for their orange juice.

It is like saying a country music singer is going to get a lower price for producing country music if they live in Nashville, Tennessee, than if they are a country music singer out in California. This is a crazy system.

Mr. GUTKNECHT. If the gentleman will yield, it is even more convoluted than that. It is one thing if the country music industry or the orange juice industry or the taconite industry or the automobile industry, if they decide that it does make some sense to have regional differentials, that is one thing, because that would be the market determining that. The difference here is the Federal Government sets this price.

There is no other example, and we have searched in vain, whether we are talking orange juice, country music, computers, software, ice water, hockey sticks, there is no example anywhere else in our entire economy where we have a product where the Federal Government sets the price that the producer is paid based on where it comes from and what it goes into.

We produce taconite in the upper—what we call the iron range of Minnesota. They also produce taconite on the upper peninsula of Michigan. There is no Federal agency that says, well, if that taconite goes into automobiles, if that taconite that is ultimately produced and is melted down and produced as steel that goes into automobiles, well, it is worth one price; but if that taconite is melted down and it goes into refrigerators, then it is worth a different price.

Now, if the market decided that that was true, because we know that stainless steel is worth more than rolled steel, and we know I beams are probably worth less than other fine steel, but, again, that is not determined by

the Federal Government, that is the market that sorts that out.

So I wanted to just make that point that there are a lot of areas where there are regional differentials. We probably do pay more for orange juice in Minnesota than they do in Tampa, Florida, but that is because of transportation costs and other factors where the market determines. It is not determined by the Federal Government.

Mr. RYAN of Wisconsin. That is a wonderful point to make. Because if we look at today in society and look at the marketplace, why should the government be dictating the price of milk based on where we live in relation to Eau Claire, Wisconsin? It is absolutely asinine. It is just crazy. But that is the world we are living in today.

What is more, the USDA is trying to move moderately away from that policy toward more of a market-based system so that it is fair and equitable for all farmers, especially those who have been punished for 62 years under this antiquated system. Yet there are Members of Congress here today, here in this body, here in the majority who are trying to stop that from happening, who are trying to freeze in place this crazy antiquated system where, just as the Member from Minnesota mentioned, they mandate the price the producer gets based on how far from Eau Claire, Wisconsin, one lives.

In my hometown of Janesville, and I am so proud of this fact, we have a General Motors plant. And in Janesville, Wisconsin, in our General Motors plant, we produce Chevy Tahoes, which I drive. It is a great truck. It is good for four-wheeling. We produce Suburbans, we produce Yukons. These are wonderful trucks. Actually, the sales really took off when they added the four doors onto the Chevy Tahoe and the Yukon. Before it was a 2-door vehicle, and the sales were only okay. Once we added those four doors onto the Tahoes and the Yukons the sales took off. They really just took off. And anyone can buy a Chevy Tahoe all over this country, but no one is getting a different price for a Chevy Tahoe because they farther or closer away from Janesville, Wisconsin, where they are produced.

A Chevy Tahoe is the same price in New York City as in Janesville, Wisconsin. People can get a Chevy Tahoe in Denver or in California, same as they can in Janesville, Wisconsin. That is the way the market works.

Now, it may be a little more costly to ship a Chevy Tahoe from Janesville, Wisconsin, all the way up to California, and maybe the buyer will pay a little bit more because it cost to have the Chevy Tahoe carted out to California, that transportation cost may be factored into the price, but the government is not mandating that.

Mr. MANZULLO. If the gentleman will yield on that, I think a more distinctive example would be if there were Chevy Tahoe plants in every State, manufacturing took place in every

State, but the price of that Chevy Tahoe depended upon how far one lived from Detroit, Michigan, for example. And the farther an individual got away from Detroit, Michigan, the more expensive it would be to buy that particular Chevy Tahoe. And to complicate it, would be that it would be sort of impractical to go 500 or a 1,000 miles away to buy the very vehicle that a person could get in that particular area. And that is what it is with these milk orders.

And, by the way, there is a Chrysler Neon plant in the district I represent. I wanted to make sure we get that on for the RECORD.

Now, let's say the government regulated the sale of pineapples. Probably a pretty poor example, because Hawaii is the only State in the Union where pineapples are grown, but let's say pineapples were grown in California and Florida, but the price of pineapples depended upon the center being Honolulu, where the price that the producer would receive from the processor of pineapples would be lower the closer it is to Honolulu; and, obviously, the grower in Florida would get a much better price out of it.

Mr. RYAN of Wisconsin. It would be a government mandated price.

Mr. MANZULLO. Oh yes, it is. I have a letter here I wanted to read from a processor, but had the gentleman finished his statement?

Mr. RYAN of Wisconsin. Sure. Be happy to yield.

Mr. GUTKNECHT. We are delighted to have the gentleman from Illinois (Mr. MANZULLO) join us and be happy to yield some time to him to talk about this.

Mr. MANZULLO. We really have to put a face to what we are doing. We are not talking about milk as a sterile commodity that is produced by cows with no personalities. We are talking about people. And I want to talk about my neighbor, Henry Ebert. He lives on Conga Road, right across the street. In fact, our pastures come together underneath the little bridge that separates Conga from our pastures; and we share the creek there. I have beef cattle, usually sell them in the fall; and, of course, dairy cattle have to be kept year-round.

Now, I remember one night I got a call from Henry. It was after I had sold my cattle for the year. And he said, "Don, my electric fencer broke. Could I borrow yours?" I said, sure. So I disconnected mine and took it over to the Ebert farm. It was about 8 o'clock in the evening. This man had been up, I think, since 4, 4:30, 5 o'clock and he was standing on his feet and attempting to hook up, or beginning to hook up the wires that went into the electric fencer. I just looked at him and it just amazed me that this man had been on his feet 18, 20 hours a day, and he and Elaine get away maybe 1 week out of the year, and the only reason they can do that is that their son is farming with them. And here he is, so tired he

is swaying on his feet. So I said, "Henry, let me hook up that fencer for you." I was really afraid he was going to touch some wires and hurt himself.

In fact, I do not know if I hooked it up or just suggested to him he wait until when his son came in, it has been so many years ago. But I was really concerned because he was so tired on his feet, and that is when accidents happen on the farms. And it really brings into focus the fact that we are dealing with some real people here. We are dealing with people that are being severely impacted. The Eberts' real estate taxes go up every year.

Mr. GUTKNECHT. Does the gentleman mean to say that the real estate taxes are not based on how far away a farmer is from Eau Claire, Wisconsin?

Mr. MANZULLO. No, of course not.

Mr. GUTKNECHT. How about the feed prices?

Mr. MANZULLO. Everything goes up.

Mr. GUTKNECHT. So feed prices are not based on how far a farmer is from Eau Claire, Wisconsin?

Mr. MANZULLO. Nothing.

Mr. GUTKNECHT. Their other input costs, their electric bill is not based on how far they are from Eau Claire, Wisconsin; only the price they get from their local cooperative or whomever they sell their milk to; right?

Mr. MANZULLO. And it is the price that his buyer is forced to charge.

Henry's son, Hank, now is in the business with them; and they are working on the farm. And I talked to him again a couple nights ago because I needed some help with a power impact wrench to change some blades on a Woodson mower. And we talked again; and he said, "Don, I don't know how long this can go on. I just don't know how long we can go on." Because I think the price of milk is, what, \$10.50 to \$12, I am not quite sure what it is, but it is substantially lower than the \$17 mark that it hit several months ago.

And I said, "Henry, the only thing I can tell you is this. You are one of only 34 or 35 dairy farmers left in Ogle County. In neighboring Stevenson County we have about 250 dairy farmers. That is the number one dairy producing county in the State of Illinois.

In the entire 16th Congressional District, which I represent, which goes from the Mississippi River all the way over to McHenry County, which has Harvard Milk Days and the same type of festival that the gentleman from Wisconsin has, there are 730 Henry Ebert families similarly situated, similarly with the first generation trying to hand their farm over to the second generation. And some night we will talk about estate taxes that makes that almost impossible to do without a huge bill to pay taxes on the farm that they own.

And Henry sells to Dean Foods, and I had a conversation today with Gary Corbett, who is VP of industrial relations, and he sent me this letter and

attached a key to it, and I want to read part of it for the record.

It said, "Dear Congressman MANZULLO: I am writing on behalf of Dean Foods Company, which operates five plants," and has a technical research center in the district that I represent. He said, "Please, enough is enough already. Is the House ever going to tire of introducing dairy legislation and allow us to run our own business? First, we had the 1996 Fair Act, which mandated Federal Order Reform, provided for the discontinuance of the Price Support Program, and promised more reliance on the market, to let the market itself determine the price of milk.

□ 2145

"That process has resulted in USDA releasing its final rule on Federal order reform which is to take effect on October 1, 1999." That is the 1-B, the one that goes a long way, it is not perfect, but it is a good compromise of moving in the right direction and hats off to Secretary Glickman for really spearheading the gigantic effort on that.

He said, "No sooner was the final rule released than more legislation has been proposed in the House. One, to mandate Class 1 differentials, one which would extend the dairy price support program, another one which provides for creation of dairy compacts."

He says, "Does the House have nothing else to do but micromanage the dairy industry from Washington?" That is the other thing. The pricing is in Eau Claire but the managing comes from Washington. "There is no industry in which Congress interjects itself daily except the dairy industry."

Corbett says, "Reject dairy compacts; they represent socialism at its finest. We cannot live with a system that picks a price out of the air with no basis in supply and demand fundamentals. The Soviet Union tried it for four decades. It was a miserable failure and it will fail in the U.S.

"While we view compacts as the total antithesis of the American system of free enterprise, we are just as concerned that Congress feels the need to continue promulgating dairy legislation without waiting to observe the impact of legislation previously passed.

"We are totally exasperated at the House's continual effort to micromanage our industry from Washington."

I remind you, this is Dean Foods Company which is the processor that buys the milk from Henry Ebert who lives on Conger Road in Egan, Illinois, and is my next-door neighbor.

"Below is a key to our offices." He taped a key. In fact here is a photocopy. It is amazing that the key that he taped was a key from an old Cadillac car. I said, "That is as close as I will ever get to a Cadillac." He said, "We grabbed any key that we could around here that was excess, we just taped it to these letters that we sent out." Of course it is symbolic.

He said, "Below is a key to our offices. You might as well come run our business directly rather than try from D.C. Then maybe you can feel the same frustration we experience in having our business turned upside down regularly through congressional intervention. Let the 1996 Fair Act have a chance to work." That is the law that the gentleman from Wisconsin described that mandated the Department of Agriculture come up with a workable solution moving toward a free enterprise system.

He says, "Stand by the promise of the 1996 farm bill to deliver a dairy policy that is more market oriented and consumer friendly. We do not need this narrow economic self-interest piece of legislation burdening our industry."

So here is Dean Food, which has I think operations in 37 States saying, "Look it. We are standing alongside the farmers, the dairy farmers in your district. Let us be able to move forward, to be able to allow the market to operate on a free enterprise basis." We also had the original J.L. Kraft cheese factory in our district over in Jo Daviess County which buys a tremendous amount of milk.

But I would ask the gentleman from Minnesota, the base price for Grade A milk is fixed by the sale of Grade B milk for cheese purposes in Eau Claire, Wisconsin. Tell me how that makes sense, especially since only 5 percent of the milk produced nationwide is Grade B.

Mr. GUTKNECHT. I think the gentleman has asked a question which I cannot answer. I think it is a great rhetorical question. It is particularly troubling for those of us in the upper Midwest where about 85 percent of our milk goes into cheese. One other thing. We have already made this far more complicated, I think, than the average Member can really understand. But the problem, of course, is if you artificially set the price of milk too high in some regions, which in our opinion they do, what it does is that fluid milk begins to back up in the system and then goes into cheese, which drives the cheese price down, which drives our price down, which drives everybody's price down.

Mr. RYAN of Wisconsin. So what the gentleman is saying is, they get hit once, farmers in Wisconsin, in Illinois, in Minnesota, they get hit once because the price that they get for their milk that they produce is lower for the rest of the country.

Mr. GUTKNECHT. For two reasons. Because, first of all, more of their milk goes into cheese and because they are closer to Eau Claire, Wisconsin.

Mr. RYAN of Wisconsin. Because they are producing cheese and they are closer to Eau Claire, Wisconsin. So farmers, say, in New York or Florida or Arkansas and Alabama are getting higher prices. They are producing Class 1 milk, fluid milk, the kind of you drink out of the bottle, that gives you the mustache. They are overproducing

that, which is then getting turned into cheese which is suppressing the price of Class 3 or cheese prices which we produce in the upper Midwest, so that further depresses the prices. So you get hit twice. Is that what the gentleman is suggesting?

Mr. GUTKNECHT. I think that is a pretty accurate characterization. Then the gentleman from Illinois pointed out something else, that a few years ago as part of a compromise, and unfortunately that is a word that we hear, some of us think we hear too often, here in Washington but as part of a compromise, they allowed six of the northeastern States where they have a lot of population, they have big markets for fluid milk, they allowed them to create what can only be called a cartel, a compact between those six States that would in effect keep other milk out and in effect help to artificially drive their price of milk up even higher.

Now, what is truly ironic about this, and I know both of you and particularly the gentleman from Illinois has been one of the real fighters for free trade in this Congress and he has got a lot of high tech companies that really do depend, and I know I have a lot and I suspect the gentleman from Wisconsin does as well, companies who recognize the importance of world trade. In fact, I am wearing a Spam watch tonight. They produce Spam in my district. Every day in Austin, Minnesota, we turn 16,000 pigs into Spam. Spam is a great export product. But we need export markets. Whether we are producing Spam or whether we are producing cheese or whether we produce automobiles, you name it, the United States desperately needs to export more of what we produce. At the very time we are trying to open up markets for our farmers, whether it be in China, whether it be in Japan, whether it be in the European Union, Africa, Central, South America, anywhere else in the world, at the very time we are saying we have got to open up markets for our products around the world, we cannot open up markets in the East. There are six States that try to keep our dairy farmers from coming in and competing. It really is like salt in a very sore wound.

Mr. RYAN of Wisconsin. Was part of the purpose of the Constitutional Convention when our country was created not to avoid those type of trade wars, to try and avoid these interstate commerce trade wars, so we would not have barriers from State to State, that we would be able to have free trade among the States within the United States of America? Is this proposal, this Northeast Dairy Compact essentially not a trade barrier between one State and another State within the United States of America?

Mr. GUTKNECHT. I would say it is more than just essentially. It is a trade barrier. In my opinion it violates both the letter and the spirit of the commerce clause of the Constitution. The

gentleman is correct. One of the fundamental reasons that the 13 colonies came together and formed a Federal union was to keep the colonies from setting up artificial trade barriers and to allow free trade between the 13 colonies. But we do have a constitutional expert among us. As I said, the gentleman from Illinois has been one of the really true fighters in terms of opening up markets and free trade here in the United States.

Mr. MANZULLO. I appreciate the comment from the gentleman from Wisconsin. That precisely is the reason why we had the Constitutional Convention, because the States used to have tariffs among each other. They used to have their own money, their own coinage. They would treat people who lived in one State differently than people who lived in another State. Finally the Constitutional Convention got together and said, "Wait a second. We're Americans. You can't have tariff barriers among each other." What amazes me about this entire milk marketing, there are now 34 or 35 marketing orders nationwide.

Mr. GUTKNECHT. Thirty-one. The goal was to reduce it to no more than 13.

Mr. MANZULLO. That is correct. I think the proposal was to put it at about 11, that would be out there. I cannot think of any other foodstuff or manufactured item or service, price of service, that is mandated by congressional act and turned over to a bureaucracy to come up with 31 different price orders based upon the sale of 5 percent of the Nation's milk in Eau Claire, Wisconsin, on anything that similar. There is nothing anywhere. We are not talking about loans. We are not talking about deficiency payments. We are not talking about emergency bailouts because of floods. Those things come and go but a residential area can get hit just as well as an agricultural area. I do not know of any legal price fixing that exists like this. In fact, the antitrust laws that are set up in this country will attach severe penalties to executives of corporations who even whisper of getting together and having prices that are similar to each other.

Mr. RYAN of Wisconsin. I would like to bring it back from the constitutional question, because there are clear implications that the compacts violate the commerce clause of the Constitution. But let us go back to the human toll that is taken with this pricing system. I live in Janesville, Wisconsin. Just east of me on County Trunk A are the Barlass Farms. I used to work for Grande Cheese Company. When I was a young kid in high school, I worked for Grande out with the milk trucks. I used to put up the signs and just do some odd jobs around Grande. The Grande Cheese Company would do a lot of work and buy milk from milk producers around Rock County, Wisconsin, where I live. The Barlasses I got to know at an early age. The patriarchs of the Barlass family are about to retire

and their two boys are taking over the family farm. They milk Jersey cows. Most of the cows we milk in southern Wisconsin are Holsteins but they milk Jerseys and they take quite a bit of pride in milking Jerseys. Because the Barlasses, their parents are going to try and pass the farm on to them, they have got problems, with capital gains taxes, with the estate tax, that if they pass away, their farm is going to be taxed so much so at a 55 percent rate that they may have to sell the farm and discontinue having their sons farm it for them because of the estate taxes. On top of that, the capital gains taxes they pay are so high because they are not indexed for inflation that they are paying tax rates as high as 70 percent when you take into account the fact that they are paying on the inflationary gains of their assets.

Look at all of that. How difficult it is with this price system, the fact that in Wisconsin we have lost 2,000 dairy farmers just last year. The Barlasses have a tough time as it is, with the estate tax, with the things that the government is imposing on them right now. And look at what else is happening. Look at what is being piled on top of them is that irrespective of their efforts to keep their family farm alive and they say they know they have to grow it to survive, they have got to get more money from the bank to invest in better technology with the dairy farm, to get more cow, to grow, to get bigger, for surviving. But if that is not enough, what they have to face is this pricing system, that just by the very fact that they farm and raise Jersey cows in Rock County, Wisconsin, southern Wisconsin, which is located fairly close to Eau Claire, Wisconsin, in the whole scheme of the country, they get a lower price for the milk they produce than farmers around other parts of the country. That is the other part that is crushing their ability to keep their family farm alive. Not only are they getting hit with a lower price but we have a system that even lowers the price more because of the oversupply of Class 1 milk. So not only is it very difficult to keep a farm alive, just on its own, but we have a milk pricing system which is based upon this antiquated, socialistic, Depression era program that they and many other farmers like them are going out of business. And that there are Members of Congress here today who swear to uphold the Constitution, who swear to uphold the commerce clause of the Constitution, who out of this side of their mouth talk about upholding market principles, the free market, the individual, and then out of this side of their mouth they say, "Well, not for the dairy industry, not for milk. For orange juice, yes, for Chevy Tahoes, yes, for free trade, yes, but not for milk." I would ask them, these Members of Congress who are saying this out of this side of their mouth and that out of that side of their mouth, go talk

to the Barlasses because I do not know what to tell them. I do not know how to explain to them that in this country, the market should survive.

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Mr. MANZULLO. Mr. Speaker, if the gentleman would yield, as my colleagues know, there is another class, and these are the consumers who pay more for the cost of dairy products as a result of this incredible system of pricing. I mean you have a price system that does not make sense. As my colleagues know, who is going to pay more on this thing? The consumer ends up paying more. But what we are saying this evening is to let the free market float, let the dairy farmers have the opportunity to be part of the dairy system because at least in the area of the country that we come from, as my colleagues know, we are talking about the survival of dairy families. This is critical.

I was at an ag breakfast in Stephenson County in Freeport which is, as I said before, is the largest dairy production county in the State of Illinois, and a lot of farmers were coming through. I was there quite early and to the later morning, and there was this sense of, and I know farmers have been depressed in the past because of what has happened in the cycles and everything, but I have never seen such a sense of, and I cannot even find the word, the adjective, is the look on the faces of the dairy families because they know that the only chance they really had to have a piece of the free market system was in the reforms that the U.S. Department of Agriculture came up with under 1 B and now that could be strangled because people want to keep the present pricing and our good colleague from Missouri (Mr. BLUNT), love him dearly, he is a great Member of Congress, I am very close to him, but we think he is incorrect on that particular issue.

And so I just wanted to commend the gentleman from Minnesota (Mr. GUTKNECHT) for taking the tremendous leadership and explaining this very difficult concept to other Members and the American people.

Mr. GUTKNECHT. I yield to the gentleman from Wisconsin. We need to wrap it up here for any last comments you would have.

Mr. RYAN of Wisconsin. I would just like to ask the gentleman from Minnesota a couple of questions so people understand the timing of the issue.

Is it the case that the bill that we are talking about, freezing the status quo in place; that is, being drafted up, marked up, in the Agriculture Committee tomorrow?

Mr. GUTKNECHT. Absolutely, tomorrow afternoon.

Mr. RYAN of Wisconsin. And if this legislation does not pass, if nothing happens, then by October the USDA, the U.S. Department of Agriculture, will implement these forms which are a step in the right direction towards the free market; is that correct?

Mr. GUTKNECHT. It is a small baby step in the right direction, and if Congress takes no action, the President does not sign a bill, the USDA's rule will go into effect October 1, and the anticommerce clause compacts will disappear, and we will move gradually, and I mean very gradually, to a more level playing field for dairy farmers around the United States; that is correct.

Mr. RYAN of Wisconsin. So what the gentleman from Minnesota is saying, that the train is already leaving the station, and it is heading in the direction of the market, and the USDA is driving this train, but that if nothing else happens, but that there are Members of Congress here among us, friends of ours from other States, who are trying to stop that train.

Mr. GUTKNECHT. They are trying to derail that train.

Mr. RYAN of Wisconsin. Trying to derail that train, trying to stop this modest reform from taking place so, if they can intervene in Congress, to stop this from happening. Is that precisely what?

Mr. GUTKNECHT. That is exactly correct, and at least I am delighted that the dairy farmers in the upper Midwest have Members like yourselves who are joining me and others to try and at least get the facts out on the table because John Adams, who served in this body, former President, a great patriot; one of my favorite quotations from John Adams is that facts are stubborn things. And I think in this case the facts are so overwhelming that so many things have changed since 1937 that a system that may have made some sense in 1937; just look at this map, and you can see how incredibly bizarre. In fact, a Supreme Court justice was asked to review this, and he referred to this system as, and I quote, Byzantine, and if ever there was a time to say it is time to scrap this system, come up with a new system that levels the playing field that is based on real market principles, if ever there was a time, that time is now and that place is here because here is an interesting fact about milk.

They are now allowing markets to set the price of milk in Moscow. Would it not be wonderful if we tried at least a modified version of that here in the United States? And who knows? We might actually begin to increase per capita consumption of milk.

And if I can just finally say this: If there is one really great tragedy about this system where we have regional conflicts, where the southeast dairy farmers compete and argue against the dairy farmers in Iowa, and the dairy farmers in Carolina are against the dairy farmers in the upper Midwest; any time you have farmers spending so much energy arguing with each other, then it means that they are not spending that energy trying to figure out how in the world can we sell more milk, how can we sell more cheese, how can we sell more ice cream not only

here in the United States, but around the world.

And the real tragedy is we are pitted against each other, we are arguing against each other, when at the end of the day the simple fact about agriculture in America today is this: We cannot eat all that we can grow. The only way that we can increase real farm income is become aggressive in world markets. But while we are spending all of our energy arguing with each other, we are losing tremendous market opportunities whether it be in Asia, China, Japan, Central America, South America, Europe, other parts of the world who really, if we can just show them what we can produce, I think we can get a bigger and bigger market share and increase the size of the pie rather than arguing about who gets the largest slice.

Mr. RYAN of Wisconsin. If the gentleman would yield, is not another loser in this the American consumer as well?

Mr. GUTKNECHT. Yes.

Mr. RYAN of Wisconsin. Are not people who buy milk paying higher prices because of this system?

Mr. GUTKNECHT. Well, that is an argument that the consumer groups and now even some of the people against government waste and some of the other taxpayer groups have weighed in and begun to say particularly in the larger cities, that they are paying artificially higher prices for dairy products, that if we had a more market based reform along the lines of what Secretary Glickman has proposed that they would see lower prices, and this would benefit poorer people, and frankly, we believe, in the long run, would increase consumption.

Mr. RYAN of Wisconsin. So not only are we talking about hurting upper Midwest dairy farmers, it is just not a regional clash, we are talking about poor inner city parents who are trying to provide for their children with a lot of single, we have the illegitimacy rate in the inner city is as high as 70 percent in this country in inner city America. We are talking about these mothers, these young mothers in many cases, trying to raise their babies and their children, to try and nurture them with dairy products, and they are paying a higher price for these products because of this?

Mr. GUTKNECHT. Artificially higher prices, yes.

Mr. RYAN of Wisconsin. Because of this government mandate?

Mr. GUTKNECHT. I would yield to the gentleman from Illinois and then we are going to yield back our time.

Mr. MANZULLO. I would ask for leave to attach this letter from Dean Food Company and be part of the RECORD:

DEAN FOODS COMPANY,
Franklin Park, IL, May 19, 1999.

Hon. DON MANZULLO,

U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN MANZULLO: I am writing on behalf of Dean Foods Company with whom, we hope, you are quite familiar. Dean

operates five plants and our technical research center, all in your district.

Please, enough is enough already! Is the House ever going to tire of introducing dairy legislation and allow us to run our business? First, we had the 1996 Fair Act, which mandated Federal Order Reform, provided for the discontinuance of the Price Support Program, and promised more reliance on the market. That process has resulted in USDA releasing its Final Rule on Federal Order Reform which is to take effect on October 1, 1999 and required two years of industry work to complete.

No sooner was the Final Rule released than more legislation has been proposed in the House; HR 1402 to mandate Class I Differentials, HR 1535 which would extend the Dairy Price Support Program and now the most onerous of all HR 1604 which provides for the creation of dairy compacts. Does the House have nothing else to do but micro-manage the dairy industry from Washington? There is no industry in which Congress interjects itself daily except the dairy industry.

Reject dairy compacts; they represent socialism at its finest. We cannot live with a system that picks a price "out of the air" with no basis in supply/demand fundamentals. The Soviet Union tried it for four decades; it was a miserable failure, and it will fail in the U.S.

While we view compacts as the total antithesis of the American system of free enterprise, we are just as concerned that Congress feels the need to continue promulgating dairy legislation without waiting to observe the impact of legislation previously passed. We cannot make sound business decisions if you continually change the rules.

We are totally exasperated at the House's continual effort to micro-manage our industry from Washington. Below is a key to our offices; you might as well come run our business directly rather than try from D.C. Then maybe you can feel the same frustration we experience in having our business turned upside down regularly through congressional intervention.

Let the 1996 Fair Act have a chance to work. Stand by the promise of the 1996 Farm Bill to deliver a dairy policy that is more market oriented and consumer friendly. Please vote "NO" on HR 1604; we do not need this narrow economic self-interest piece of legislation burdening our industry.

Sincerely,

GARY CORBETT,
Vice President, Governmental and
Dairy Industry Relations.

Mr. RYAN of Wisconsin. I would also just like to ask, mention to the gentleman from Minnesota (Mr. GUTKNECHT), and thank him for his leadership. The gentleman from Minnesota (Mr. GUTKNECHT) has provided excellent leadership here in Congress on this issue. I want to thank him on behalf of the dairy farmers of Wisconsin for his leadership on this issue, and I also thank the gentleman from Illinois (Mr. MANZULLO). Our districts butt up against each other. He has the Wisconsin border, I have the Illinois order, and hopefully we can fight together on behalf of the dairy farmers in our areas along and with the leadership of the gentleman from Minnesota (Mr. GUTKNECHT) to try to get resolve to this, to make sure that we can stop what is going on here in Congress. So the USDA, the train can leave the station toward the market so we can go down the road of getting a market-based sys-

tem, and I want to just thank the gentleman from Minnesota for his leadership.

Mr. GUTKNECHT. Well, I thank the gentleman, and I just, in summing up, one of the expressions that I think every farm State legislator, whoever represents a farm area, this expression they all understand, we all understand, and that is that a deal is a deal and a bargain is a bargain, and you know, out in farm country they sell a \$100,000 combine on a handshake, they trade their grain on a phone call.

We have very few written contracts because everybody understands the principle that a deal is a deal and a bargain is a bargain, and 2 years ago and then again last year we made a deal, we made a bargain, to allow the Secretary to go forward with market-oriented ag reforms, dairy reforms, that would move us to a fairer, simpler system. That was the deal, that was the bargain, that is what we shook hands on, that is what we expect, and as far as I am concerned, I do not care how many cosponsors they may have in the House, I am going to continue fighting, arguing, making the case, sharing the facts with the Members, with the American public because at the end of the day a deal is a deal, a bargain is a bargain. We ought to have market-based reform as far as dairy products, and as far as I am concerned, we will not stop until we get them. I thank my colleagues for joining me.

ILLEGAL NARCOTICS AND THEIR IMPACT ON OUR SOCIETY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from Florida (Mr. MICA) is recognized for 60 minutes.

Mr. MICA. Mr. Speaker, I have come to the floor again to talk about the subject of illegal narcotics and its impact on our society, and tonight I would like to start with a small tribute, first of all, to our Drug Enforcement Administration administrator Tom Constantine who will be feted tomorrow upon his retirement, and I would like to first pay tribute to his tremendous service. Next month, in just a few days, Tom Constantine, the administrator of the Drug Enforcement Administration, will retire and return to Schenectady in New York where he lived prior to moving to Washington, D.C. and serving this administration.

Tom Constantine has been the administrator for DEA for the past 5 years, and he had a very long and distinguished career before he came to our Nation's capital. Mr. Constantine began his career as a deputy sheriff in Erie County in New York in 1960 and became a State trooper in 1962. In 1986, he was named superintendent of the New York State Police, and he served in that position with great honor and recognition. Since Tom Constantine has taken over the DEA in 1994, the agency has added 1,200 new agents, and