or a progressive at all but a humanist. Terry Sanford was the great Southern humanist of his generation in politics.

The Southern humanist never trivialized himself like the Northern liberal, for two reasons. First, he was always so much the underdog that he had to stay attuned to people who didn't think a bit like him. This kept the Southern humanist humble. Second, Southern humanism was based in gospel-inspired neighborliness, as opposed to fads, modernism, and, ultimately, rationalism.

It is also hard for the Northerner and the modern to understand a guy like Sanford. What made him go?

It wasn't sheer ambition, because he did so much that hurt his career and so much that was irrelevant to it. More than one political reporter remarked that Sanford lacked the ''killer instinct'' that Carter possessed and Clinton possesses in spades.

The answer is that Sanford was a citizen—a public man in the ancient Greek sense. Education and politics were one to him; public life was citizenship, and it came before and after office. It lasted all your life.

This sense of mission and duty is a much deeper thing than the vanity that seeks and clings to office—any office—like life's blood.

For a politician Sanford was wonderfully stoical. When he ran for the Senate I was working in Winston-Salem as an editorial writer. He came in for an endorsement interview with the editorial board (an endorsement he did not receive) and answered our questions for an hour or so. I thought him every inch a senator—in fact, a president. But I was also impressed by his lack of pretense.

Another writer asked him, as he was about to go: ''Governor, aren't you taking a big risk? If you lose, you go out as a loser and you'll be remembered as a loser.''

Sanford shrugged and smiled and skipped a beat as if considering self-censoring and dismissing it. And then he said: ''So what? Most folks don't remember you, win or lose. You're just an old politician. . . . People don't remember what little good I did. And that's fine. But I do, and I take my satisfaction there.''

THE INSTINCT TO SERVE

Sanford did go out with a loss. His disastrous reelection campaign for the Senate was sunk by a long hospital stay and a roguish opponent—a former Democrat and Sanford protege—who ran on the brave slogan that Sanford was too sick to campaign.

I wrote to Sanford after that loss—just a one-liner to say I was sorry. To my surprise he wrote back in his own hand. He said that his defeat might be for the best. For now he'd be home in North Carolina, he said, and could see his grandchildren, do some teaching, and maybe pursue some projects for the state—like the arts institute.

Yes, he did lack the killer instinct. Terry Sanford has the serving instinct. It helped him to change a state, a region, and a nation.●

## TRIBUTE TO VINCENT D'ACUTI ''MR. SOUTH BURLINGTON''

● Mr. JEFFORDS. Mr. President, I rise today to pay tribute to a dear neighbor and lifetime friend. Vincent D'Acuti passed away on September 23th. However, his sense of humor and his devotion to his community will keep him in the hearts and minds of those who knew and loved him.

Often called ''Mr. South Burlington,'' Vincent served his community in a variety of ways. He was a selectman in South Burlington for 10 years during the transition from town to city in the 1970's. While he was on the board, the population doubled and numerous improvement projects were undertaken. He was on the Burlington International Airport Commission, helped form the Burlington Boys and Girls Club, and was an active member of the Kiwanis club for over fifty years. He was a fixture at the annual pancake breakfast and charity auction run by the Kiwanis, served as their lieutenant governor for New England, and received a national Kiwanis award for 50 years of service.

He also served his country in the army, including a stint in Normandy. While stationed at Fort Ethan Allen in Colchester, he met his future wife, Lillian Langlois of South Burlington. After he was discharged, he returned to the Burlington area to work and raise his family.

Vincent approached his service of both country and community with a sense of humor which endeared himself to everyone he met. As I read the article in the September 34th edition of The Burlington Free Press, I was struck at how many people mentioned this attribute. Frank Balch, a former employer of Vincent said, ''He loved his life and enjoyed it to the hilt. He was an unforgettable person.'' He loved to tell stories and most of them were about his wife and two daughters. The joy which Vincent shared with others grew from the joy he found with his wife their daughters, Donna and Diane.

My wife Liz recalled a time when she was babysitting for his children. There was a huge storm, and as is typical in rural Vermont, the power went out. Liz wasn't expecting Vince or Lillian to be home for hours, so when she heard someone at the back door, she grabbed a vacuum cleaner and positioned herself by the door, ready to defend herself and Vince's two daughters. However, the mysterious noise she heard was Vince returning home early from his work as owner of the local Dairy Queen. Luckily, he said hello before my wife wacked him over the head with the Hoover!

Through his commitment to his community, his friends, and his family, he showed us how one man can truly make a difference in the lives of others. Through his humor and charisma he showed us all how to live life to its fullest. Farewell Vincent. Your friendship meant a great deal to me, and to so many others whose lives you touched.●

## USDA'S INSPECTOR GENERAL REPORT DOCUMENTING MISMANAGEMENT PRACTICES IN THE FLUID MILK PROMOTION PROGRAM

● Mr. LEAHY. Mr. President, a report issued by the Inspector General of the U.S. Department of Agriculture raises very serious concerns about the International Dairy Foods Association (IDFA), the Milk Industry Foundation (MIF) and the National Fluid Milk Processor Promotion Board (Board) in terms of the fluid milk promotion program.

The Inspector General (IG) report identifies: unapproved expenditures in violation of law, potential conflicts of interest, possible cover-up activities, inaccurate financial statements, sole-source contracting, inadequate controls over contracting, excessive payments, failure to enforce contracts, property disputes over ownership of copyrights, and other serious violations by the Board or its agents IDFA and MIF.

The fluid milk promotion law contains penalties for violations including, on conviction, a fine of not more than $1,000 or imprisonment for not more than 1 year, or both. The law also provides that ''nothing . . . shall authorize the Secretary to withhold information from a duly authorized committee or subcommittee of Congress.'' I serve on three committees and I have a keen interest in this matter.

It is also a violation for funds collected under the law ''to be used in any manner for the purpose of influencing legislation or government action or policy.''

I will omit details, but as background note that the law allows the appointment of a Board which may enter into contracts, with the approval of the Secretary, to carry out milk promotion and research programs. Funds are generated by a 20-cent per hundredweight assessment on certain processors of milk. This assessment is imposed through an order which is binding on processors.

The Board is to ''keep minutes . . . and promptly report minutes of each Board meeting to the Secretary.'' The Board may pay for the advertising of fluid milk if authorized by the Secretary. Programs or projects can not become effective except ''on the approval of the Secretary.'' Also, the law provides that the Board is to ''administer the order.''

The law does not provide for the involvement of IDFA or MIF specifically. However, the Board is authorized, with approval of the Secretary, to enter into contracts or agreements and is authorized to employ such persons as the Board considers necessary.

As background for those not familiar with these organizations, note that IDFA's website says that ''IDFA serves as an umbrella organization for three constituent groups: the Milk Industry Foundation, the National Cheese Institute, and the International Ice Cream Association. . . .'' IDFA is an association for ''processors, manufacturers, marketers, distributors and suppliers of dairy foods, including milk, cheese, and ice cream and frozen desserts.'' More than 800 companies are in IDFA. MIF has 185 member companies, the National Cheese Institute has 95 member companies, and 150 companies are members of the International Ice Cream Association.

Given the seriousness of the charges, I believe the Secretary of Agriculture should immediately terminate its support for the fluid milk promotion arrangement between the Board and MIF and IDFA, and immediately begin searching for a replacement for those two associations to continue fluid milk promotion efforts. I am sending a letter to the Secretary that contains this request and restates some of the points that I am mentioning in this floor statement.

I believe that a lot of the violations identified by the IG could have been eliminated if the Board had contracted directly with an advertising agency to do the milk promotion campaign. This would have avoided middlemen such as IDFA being able to skim money off the top in a manner that does not efficiently implement the law.

I will highlight just some of the concerns raised by the Inspector General's report. For example, it was not until three months after the Board's first contract with MIF had expired, and after the IG audit was begun, that the Agricultural Marketing Service of USDA approved that contract. MIF and the Board even agreed that the contract would not be effective until approved by USDA. However, by the time it had been approved ''the Board had paid MIF over $3 million and MIF, in turn, had contracted with an advertising firm which had spent over $123 million.''

The IG report continues:

> Even though it did not have the authority to do so, MIF entered into an agreement with a major advertising agency to provide most of the Board's advertising, public relations, and research.

Payments were made regarding 37 contracts which neither MIF, IDFA, the Board, or AMS could find so as to provide copies to the IG.

Also, the IG's report says that ''the financial statement as of March 31, 1995, and as of April 30, 1996, contained material omissions and questionable statements that, in the aggregate, were significant enough to affect the decisions of its users, including the Secretary, members of the U.S. Congress, and milk processors.''

I want to send a clear message to the Board, to IDFA, or anyone else, that Members of Congress do not like being misled. The IG report also notes that the processor Board has ''allowed the payment of over $127 million in expenses that were not supported by AMS-approved contracts,'' in violation of law.

$127 million is a lot of money but the situation is much worse. These funds are being raised by a mandatory assessment of processors of 20 cents/cwt. Yet, IDFA has charged in letters to the Secretary that increased assessments of processors will be passed through to consumers. So, if IDFA is correct, these assessments were paid by consumers but used to implement contracts that had not been approved.

I wish it were not the case that IDFA and its affiliated group, MIF, strongly contend that these types of assessments on processors are borne by consumers.

The IG also called into question the ''independence of some of the key contractor employees who have been assigned responsibility for Board activities.'' Who are some of these key contractors? The Milk Industry Foundation, the International Dairy Foods Association, ''outside legal counsel'' and an unnamed ''Worldwide Advertising and Public Relations Firm'' are key contractors.

On top of all the wrongdoing described in the Report, three key contractors have in their employment persons who are registered with the Congress as lobbyists. I am stunned that processor lobbyists who often work against the interests of dairy farmers, or support litigation against the Secretary and against the interests of dairy farmers, have some say over who gets this money.

I admit that it is natural that representatives of processors, whether they are milk, peanut, sugar, or corn processors, want to buy inputs cheaply. However, low farm prices are not in the best interests of the farmers who produce those products. With just a few exceptions most farm-state Senators support stronger prices for their farmers instead of lower prices for their farmers.

Indeed, it would make most hardworking dairy farmers sick to hear the salaries paid by the Board. An unnamed Board administrator had a ''contract increased in February 1998 to $180,000 for 23 hours of work per week.'' That is pretty good work if you can get it, especially considering what the average dairy farmer nets in a year and how hard our farmers work.

I understand that MIF and IDFA are not registered as nonprofit entities. They may actually be for-profit organizations. Certainly their employees believe in big profits for themselves when you look at their salaries.

In a very bizarre and suspicious twist, the processor Board contracted with MIF to appoint one of MIF's employees as Executive Director of the Milk Processor Education Program. But the processor Board was ''fully aware that MIF had no employees.'' MIF had to rely on IDFA for staff.

One of IDFA's senior employees was none other than the former head of the dairy division at USDA, Charlie Shaw. One of IDFA's hired lobbyists was a former high-level official at USDA, William Wasserman, now with M & R Associates. Another of IDFA's hired lobbyists is a former Senior Vice President of Public Voice for Food and Health Policy, Alan Rosenfeld. IDFA has also contributed lots of dough to Public Voice and Public Voice events, as have huge food processors.

This is a very cozy arrangement. MIF, which is run by IDFA, sued to end a program that generates a lot of additional income to dairy farmers in New England—the Northeast Dairy Compact. It generates this income for farmers by making processors pay a stable and fair price for milk. That was too much for MIF, so they sued the Secretary. This is an irony: MIF and IDFA oppose the Dairy Compact because of the small premiums assessed on dairy processors to help keep farmers in business and yet they support an assessment imposed on dairy processors when it benefits processors.

To be consistent regarding assessments, MIF and IDFA would have to oppose this program that they support. Also, Public Voice would have bite the IDFA hand that feeds it. But that will not happen since so much inside the beltway is based on ''show me the money.''

The IG found other interesting items. MIF is supposed to submit monthly progress reports to the Department of Agriculture. ''MIF has never submitted these reports,'' according to the IG's report. I would like to know why these violations continued?

The IG report notes that:

> It is clear that there was no meaningful competition for the development and maintenance of the Board's WEB site. The advertising agency assured that its subsidiary would be selected as the contractor by providing insider information to its subsidiary and accepting the bid proposal after the due date.

I hope USDA can explain to me what this statement about ''providing insider information'' means? I will ask USDA if they approved this payment for the WEB site. Any payments identified by the IG and in violation of provisions of the law should be returned.

In yet another odd development, both IDFA and the Agricultural Marketing Service (AMS) provided the Inspector General with minutes of the processors' Board meetings. However, ''there were material differences in the two sets of minutes provided.'' Here is the kicker. The Board's administrator said he would reconstruct the minutes. But the IG asks: ''We question how the Board's Administrator can 'reconstruct' official minutes of Board meetings held since 1994, as he was only appointed to the position in 1996.''

The next sentence in the IG's report is telling: ''Neither AMS nor the Board ensured compliance with the [Fluid Milk Promotion] Act or the Order.'' Why does Congress bother passing laws if they are just ignored?

My biggest potential concern is this. IDFA officers and registered lobbyists get control over huge amounts of money from the assessments of processors under the milk order. How do they compartmentalize their time? Do they work against dairy farmers' interests in terms of milk marketing order reform, for example, only when those minutes are paid for through dues and not assessments? When they implement or create strategies to lobby against the dairy compact or Option 1A do they punch out on a time sheet and stop getting paid by assessments under the order? How will we know if the law was followed if the same people both lobby the Congress and USDA and implement the promotion law which prohibits lobbying?

The law does not permit the use of any funds collected by the Board ''in any manner for the purpose of influencing legislation or government action or policy.''

Yet, IDFA is well-known for its continuing efforts to influence USDA action and policy. It is imperative that all IDFA contacts and phone conversations with USDA regarding legislation affecting the Northeast Interstate Dairy Compact, dairy compacts in other states, other dairy policy, forward contracting, appropriations bills, and the decision of the Secretary regarding Option 1B be identified.

IDFA's close work with Alan Rosenfeld of Public Voice, later a lobbyist for IDFA, on dairy issues is well known. Did any of the strategy discussions with Public Voice take place while IDFA's time was being payed for by funds collected under the order? What about the salary negotiations between M & R Associates and Alan Rosenfeld while he was with Public Voice but trying to negotiate a job with IDFA and M & R Associates?

I will never understand how USDA could approve a contract with IDFA or MIF when the law specifically provides that no funds can be used to influence legislation or government action or policy.

Indeed, these industry associations are well known to Members of Congress and Hill staff because they give away truckloads of ice cream at the ice cream socials.

In light of the IG's Report, I am very concerned that money from the assessments under an order, used to benefit processors, may have subsidized efforts to oppose over-order premiums benefiting dairy producers under the dairy compact. In this event the only winners are the middlemen, IDFA and MIF, and the firms making the ads. There is a simple solution to this—get rid of these middlemen unless the Secretary can prevent all their activities trying to influence government policy and legislation.

All these improper activities and violations are fully explained in the IG Report. Let me present a few more of the highlights. The Report notes that ''AMS allowed the Board to commit and/or expend Program funds for 108 contracts, even though it had approved only 3 of these contracts prior to the contracts' effective dates.'' Yet section 1999H(c)(8) of the Fluid Milk Promotion Act requires the prior approval by AMS of all contracts prior to the ''expenditure of Program funds.''

I do not think IDFA and MIF should be above the law. Another interesting point is that the ''Worldwide Advertising and Public Relations Agency'' that I cited earlier had spent $123 million before AMS approved the contract with MIF. Page 23 of the Report noted that ''None of the $123 million paid to the advertising agency should have been paid until AMS approved the contracts.''

The IG says that MIF was aware that ''according to the Act and the Order, no payments were permitted until AMS had approved the contract.'' Did the advertising firm get lucrative contracts from IDFA, MIF, or their agents or members, to generate press and ads against the Northeast Compact which has greatly increased the income of dairy farmers in New England? Was any of the money raised by the promotion assessments on processors included in donations to Public Voice?

This matter is especially troubling because the advertising campaign ultimately developed, and the wonderful photos that were used to promote milk consumption, represent a great idea. This situation uncovered by the IG may be the classic example of unnecessary middlemen spoiling an otherwise good situation.

I support, as do I would think most of my colleagues, the advertising campaign to promote milk sales. Indeed, I have supported legislation to require assessments to promote other agricultural products. I would like the advertising campaign to continue but without the middlemen getting their take. I did not understand why the Board can not just contract with the advertising agency directly.

The IG report also notes that:

> MIF did not fulfill its contractual responsibilities to the Board by taking the steps necessary to protect the Board's interest in the copyrights to the photographs. We also question why the Board's legal counsel is not pursuing legal action against MIF because of its failure to properly protect the Board's interest in the copyrights.

On a larger front, I have been concerned with activities of IDFA, MIF and Public Voice for some time. MIF filed litigation in federal court to challenge the decision of the Secretary of Agriculture to implement the Northeast Dairy Compact. In a detailed letter dated April 10, 1996, IDFA strongly urged USDA not to approve the Compact. At the same time, Public Voice used almost the same language and expressed concerns identical to those of IDFA.

I have previously discussed that extremely close working relationship between Alan Rosenfeld of Public Voice, now with M & R Associates who represents IDFA, and IDFA during this time period. Just a couple of months later, Mr. Rosenfeld was officially listed as a lobbyist with M & R Associates in a lobbyist registration form signed by William Wasserman, formerly the consumer affairs advisor to the Secretary of Agriculture, but by then a hired lobbyist for IDFA.

For example, in a letter to Secretary Glickman dated April 26, 1996, Alan Rosenfeld used almost identical language as was used in a document called ''Talking Points in Opposition to the Northeast Interstate Dairy Compact'' produced by the Campaign for Fair Milk Prices. That Campaign is run by none other than William Wasserman, the registered IDFA lobbyist who hired Alan.

Fortunately, the Secretary disagreed with the IDFA-Public Voice views. He decided that the Northeast Interstate Dairy Compact was in the compelling public interest of the compact region.

There is no question that the giant processors are against the Compact, which gives farmers a little more income and keeps them farming. Most large processors are also for Option 1B, which could reduce the income of dairy farmers by about $1 million per day, according to economists with AgriMark—that is $365 million a year.

The IG also concluded that the ''Board had not followed good business practices by competitively negotiating for contractual services.'' $123 million was given to an advertising agency ''without competition.''

I recognize that Kraft, IDFA, and other representatives of manufacturers of milk, or their parent tobacco companies such as Phillip Morris, and those who receive donations from them, want farmers to get a low price for milk. Kraft buys milk to manufacture into products, so of course it wants a low price so it can increase its profits. But at some point if a lot of farmers go out of business, Kraft, IDFA and others might regret the harm they have caused.

As I said last week, I invite the public and the press to search Federal Election Commission records on this point and to ask groups such as Public Voice for Food and Health Policy how much money they receive from tobacco companies, food processors and milk manufacturers. Members of Congress have expressed a great deal of concern about the false information and misleading studies generated by the Tobacco Institute.

The International Dairy Foods Association has pumped out a sea of misinformation about the Compact and has tried to influence a lot of lawmakers. They have hired others to disguise the fact that their misinformation campaign was funded with money from these huge milk manufacturers.

Last week I provided details on these matters and listed a few of the groups and the people they hired to spin the press about the Northeast Dairy Compact in a negative way. I described some of the Lobbying Reports that showed the money interconnection. There is no question in Washington that the best way to get to the truth is to follow the money. The problem is that following the money takes a lot of work.

Public Voice, which is funded by the International Dairy Foods Association, other food processors and IDFA members, is a good example of how this works.

Even if they all—tobacco, Kraft and Public Voice lobbyists—used the same line, the public is more likely to listen to Public Voice even if someone else wrote the script. The public might not suspect special interest spinning if Public Voice made the point. Of course, if they are all working together the key would be to make sure no one finds out.

The best way for the public to check this out is to ask Public Voice for the list of who funds them and who sponsors their events. Ask for the list of food processors and tobacco companies who sponsor these events and donate money. Ask Public Voice if they oppose the 20-cent assessments of processors that benefit IDFA and MIF? Or do they just oppose premiums that give dairy farmers more income?

But, as I recently discussed, some of the truth is found in the Lobby Reports that show who IDFA hired to represent the views of IDFA members. Yes, Public Voice got money, and one employee of Public Voice led the charge against the Compact and then took a job with M & R Associates, one of the groups hired by IDFA to kill the Compact. Public Voice took money from IDFA during this time period.

Some officials at USDA have views similar to Alan Rosenfeld and William Wasserman, especially those closest to the revolving door. There are many firms in Washington that are used to disguise who they work for so that the public can be easily misled. I would like to know the names of the other clients of M & R Associates.

I am very concerned about these lobbying efforts to discredit the Compact with misinformation. The address of IDFA listed in Washington Representatives, 1997, is 1250 H. Street, Suite 900, in Washington, D.C. The address of the Milk Industry Foundation is the same. So is the address of the National Cheese Institute. The International Ice Cream Association is also there.

The Agricultural Marketing Service of USDA has made a big mistake in giving the Milk Industry Foundation control over millions of dollars raised by a mandatory 20-cents-per-hundredweight assessment on many fluid milk products.

Suppose IDFA or MIF contracted with lobbyists to handle these operations? IDFA or MIF could funnel lucrative contracts using these mandatory assessments to friends who work with them in opposing the Compact, even though the Compact greatly benefits dairy farmers according to the federal Office of Management and Budget.

Even worse, when IDFA awards contracts on a basis other than competitive bidding, they could funnel money into the hands of their friends who would lobby the Congress against dairy farmers. I want to know the names and salaries of every lobbyist who works for or gets funding from IDFA, MIF, the Cheese Institute, the Tobacco Institute, Phillip Morris, Kraft and the Ice Cream Association. I also want to know the corporate funders of those groups—IDFA and MIF—who control the funds generated by mandatory assessments. For example, Alan Rosenfeld was hired from Public Voice to work as a lobbyist with M & R Strategic Services. He recently prepared a report for IDFA which was issued on IDFA letterhead. Since MIF and thus IDFA gets tons of money from mandatory assessments, does that free up some additional money to pay Alan Rosenfeld to write reports attacking the Compact or additional money to pay William Wasserman to lobby against the Compact?

A list of the corporations that provide money to IDFA, MIF, and Public Voice would probably stun most dairy farmers who are trying to make a living through hard work.

I am going to call for an investigation of these cozy arrangements with dairy lobbyists, USDA and industry front groups. These front groups who oppose the interests of dairy farmers should not control funds generated by mandatory assessments.

A few days ago in the RECORD I addressed issues surrounding the intended extension of the Northeast Interstate Compact in the omnibus spending bill. I am gratified that this omnibus bill contains, as did the bill we already sent to the White House, such an extension in the provision extending the time to finalize milk marketing order reform.

I am pleased that the Congress is not just going to provide additional income to corn, wheat, soybean and other farmers. Those farmers should be kept in business, but so should dairy farmers and the Compact does just that. Keeping the Compact in business until at least October 1, 1999, will greatly help dairy farmers in New England.

The Dairy Compact has worked as we said it would. It keeps dairy farmers in business in bad times by giving them additional income. It also helps stabilize farm and consumer prices for milk. I only wish that all dairy farmers could get the additional income that the Compact brings, but Congress so far has only consented to the Northeast Compact. Under the first six months of the Compact, OMB reported that ''New England dairy farm income rose by an estimated $22–27 million. . . .''

The Interstate Dairy Compact Commission, with 26 delegates appointed by the six governors, is authorized to determine a ''target price''—$16.94/cwt in this case. Under the Compact language, which is approved by the six states, any state can opt-out temporarily—until a later date that the state determines—or opt-in and receive that additional income for producers. The Compact is voluntary; it is up to each state whether to participate in any particular price regulation.

As I just pointed out in this respect, when prices are low the effect of the Compact is similar to the loan deficiency payments made under marketing loan programs in that, roughly speaking, producers get the difference between a ''capped'' target amount and the current price. When farm prices are high, no cash payments are made to producers under the Compact.

The reason the rate of loss of dairy farms in New England is now under control is that this additional income keeps their families on the farm. Dairy farmers are no less deserving than corn, wheat, soybean, or sorghum farmers. All farmers deserve to earn a decent income for their families.

I mentioned that news articles have focused on how in Connecticut and Vermont the rate of farm loss is much less than before the Compact went into effect. Before the Compact, OMB reports that New England suffered a ''20-percent decline'' in the number of farms with milk cows from 1990 to 1996. Now this horrible rate of attrition has slowed. I have supported reasonable efforts to keep family farmers in business throughout our country.

In addition, as I pointed out last week, the rate of milk consumption in New England is strong compared to the rest of the nation. Dairy farmers are making a decent living in New England and neighboring farmers are selling milk into the region to take advantage of the Compact.

There is indeed a touch of hypocrisy in this farm crisis. Some, including some at the U.S. Department of Agriculture, see the loan deficiency payments as a great solution. If prices drop below a target price, the farmers get the difference between their market price and this target price. If prices increase above a certain level, then the farmers cannot receive this cash payment.

As I said last week, the Northeast Interstate Dairy Compact is an example of this. The major benefit of the Compact is to provide income to farmers when milk prices are low—income is not provided to farmers when prices rise past a certain point. The amount of the payment a farmer gets depends on how far milk prices are below the target price. You could simply repeat those two sentences but substitute the word ''corn,'' ''soybeans'' or ''wheat,'' or whichever commodity, for ''milk'' and you have described how the loan deficiency payment system works.

But try to apply this system to milk prices and many Members of Congress and some in the Administration see dairy farmers as undeserving. Dairy is a major issue for ermont since more than 70 percent of all farm income is from dairy. This is why the Compact is crucial to us.

I am pleased that OMB reported that after an initial increase in prices at stores just as the Compact was implemented that: ''New England retail milk prices by December [the sixth month after implementation] returned to the historical relationship to national levels, being about $0.05 per gallon lower.'' According to recent A.C. Neilson Corporation marketing research data, U.S. gallon sales of fluid milk are down 1.8 percent compared to one year ago. New

England gallon sales of fluid milk, however, have decreased by only 0.7 percent. National sales of fluid milk have declined 1.1 percent more than New England sales of fluid milk.

The Connecticut Agriculture Commissioner Shirley Ferris reports, ''In June of 1997, the month before the Compact took effect, the average retail price for a gallon of whole milk was $2.72. This June, almost a year after the Compact took effect, the price for a gallon of whole milk is only $2.73. And the price of a gallon of 1% milk is even less expensive now than before the Compact—$.03 less per gallon than last June.''

In order to keep farmers in business, I think most consumers would be willing to pay a little more for milk. In order to keep fresh, local supplies of milk I think most consumers would be willing to pay a little more to keep their local producers in business.

Consumers know that if enough producers are forced out of farming, eventually milk prices could skyrocket. Countries around the world with inadequate numbers of dairy farmers pay huge prices for milk.

I am pleased that under the Compact, and as confirmed by the OMB study, it is the producers of milk, the farmers, who get the increase in income under the Compact. If anyone doubts that the dairy farmers in New England did not get increased pay checks, someone should randomly call them on the phone and see if they really got the checks. I certainly have not heard complaints that the paychecks were lost in the mail. Even farmers in New York, which has not yet joined the Compact, are even getting higher paychecks.

They are selling milk into the region to take advantage of the Compact. If Wisconsin or Minnesota switched places with New York State, farmers in Wisconsin and Minnesota would do the same—sell into the Compact region to make more income.

While I do not know for sure, I suspect that dairy producers in Wisconsin and Minnesota would like more income for all their hard labor. Vermont dairy farmers and neighboring New York dairy farmers sure do.

Except for this benefit for neighboring farmers living just outside the Compact region, OMB reported that ''New England has little effect on dairy markets outside its region, or on national prices or trends. . . . Its shipments outside the region in the form of cheese or milk are small.'' To provide some perspective, I also wanted to mention that OMB reports that in 1996, ''New England accounted for 2.93 percent of the Nation's milk production and 2.9 percent of its milk cows.''

Corporate opponents of the Compact have tried to argue that this was a fight between consumers and farmers. The OMB study proves that consumer prices are lower in New England than the average for the rest of the country. So that is a false argument.

The fight is actually between large manufacturers of milk products—large multinational corporations—and farmers. Manufacturers of any product, not just manufacturers of cheese or ice cream, want to buy their inputs as cheaply as possible.

So why was there ever a concern about consumer prices increasing in the Compact region? Prices should have never increased.

The Wall Street Journal and the New York Times discussed this in news articles about retail store price gouging. GAO raised the issue in 1991 and is looking at it now.

We do know that retail prices for milk are often more than double what farmers get for their milk—nationwide. Think about that.

Let's look at the time period just before the compact took effect—and pick Vermont as the sample state. As the Wall Street Journal pointed out, in ''Are Grocers Getting Fat by Overcharging for Milk?'' beginning in November 1996, the price that farmers got for their milk dropped by almost 25 percent—35 cents or so per gallon. Store prices stayed high, which locked in a huge benefit to stores selling to consumers. Thirty-five cents a gallon is a significant increase in benefits to retail stores.

Comparing November 1996 to June 1997, the price farmers received for their milk dropped 35 cents a gallon, and stayed low, but the prices that stores charged for milk stayed about the same.

I have always pointed out that dairy compacts can help reduce this retail store price inflation by stabilizing the price that farmers get for milk, thus reducing the need for stores to build in a safety cushion to protect themselves in case it costs more for them to purchase milk.

Without a compact, the price farmers get for their milk can vary significantly. These variations in price are passed through to stores by co-ops and other handlers. Yet stores prefer not to constantly change prices for customers so they build in a cushion. But this huge profit margin can be reduced by compacts which means that dairy compacts can both save consumers money and provide more income to farmers.

Unfortunately, the OMB study is based on very limited information from USDA. USDA only gave OMB price information from six stores in New England—and only in two cities where it was announced in press accounts, in advance, that retail prices would go up even though store and wholesaler costs had dropped 35 cents per gallon.

Even in light of this, OMB concluded that after six months, retail store prices in the compact region of New England were five cents lower than in the rest of the nation.

New England newspaper accounts of the implementation of the Compact were very interesting. For example, the July 1, 1997, edition of the Portland Press Herald from Portland, Maine points out that ''Cumberland Farms increased the price of whole milk by four cents but dropped the price of skim by a penny'' when the Compact was implemented.

Also, they note that ''At Hannaford's Augusta store, Hood milk—a brand-name product—was selling for $2.63 a gallon, while the Hannaford store brand was selling for $2.32.''

Also, ''Shaw's increased its price by about 20 cents a gallon in [parts of] the five other New England states but kept the price the same here [in Maine].''

The June 26, 1997, Boston Globe and the June 27, Providence Journal pointed out before the Compact was implemented that one of the chains signaled a price increase. A spokesman for Shaw's Supermarkets, Bernard Rogan, is quoted as saying that milk prices will go up next week.

The June 30, Boston Globe reported that, ''The region's major supermarkets are raising their milk prices 20 cents a gallon, ignoring arguments that their profit margins are big enough to absorb a new price subsidy for New England dairy farmers that takes effect this week.''

As OMB discovered after six months, this initial signaled increase was subjected to competitive pressures and that consumer prices in New England came down.

However, even if it took a slight increase in supermarket prices to keep farmers in business, I think that is worth it. If a lot of dairy farmers cannot make a living then eventually dairy prices will go way up, just as in a number of foreign countries.

Also, as I pointed out recently in the RECORD, studies of prices charged in stores in Vermont, for example, show that the most important factor in the price of milk is the brand and the store. In cities and towns in Vermont, the variation in price among stores was in the 50 cents to one dollar range. In other words, in the same town the price of a gallon of milk varied greatly and still does. These store variations, and variations through the use of store coupons, dwarf any possible impact of the Compact.

All other food expenditures dwarf how much income consumers spend on fluid milk. The savings consumers can achieve through buying ''on sale'' or house-brand items, or through using discount coupons, far exceed typical changes in the price of fluid milk. Only 3 percent of the average household's total expenditures on food go for fluid milk. This information is from an article titled ''Food Cost Review,'' 1995, from the Economic Research Service of U.S.D.A.

Farmers, consumers and processors all need fair prices. Processors should not have received huge profits at the expense of the other two. I will continue to monitor these abuses by MIF and IDFA detailed by the IG. I greatly appreciate the work of the Roger Viadero, the Inspector General, on this issue and on other issues he has handled. He is doing an outstanding job along with his staff at USDA.●