Now we know that about 70 percent of D.C. voters want to legalize drugs, including the current and, of course, the former mayor. That comes as no surprise. What would come as a surprise is if President Clinton vetoes this bill because it simply says illegal drugs remain illegal in our Nation's capital. Hopefully, the President, rather than listen to these folks, will listen to America's parents, police officers and his own drug policy head, General Barry McCaffrey; sign this D.C. appropriations bill and remind the District of Columbia that it remains part of the Union and subject to federal antidrug laws.

EMERGENCY FARM ASSISTANCE

(Mr. HAYES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HAYES. Mr. Speaker, over the past several months, I have traveled my district, the 8th District of North Carolina, and spent dozens of hours listening to farmers and ranchers tell me about the state of the farm economy.

In February, I, with the help of the gentleman from Illinois (Mr. EWING) and the Committee on Agriculture, hosted a field hearing in Laurinburg to learn farmers' concern about the current crop insurance program and what changes they felt needed to be implemented to achieve meaningful reform.

The Committee on Agriculture took the comments of my farmers and the comments from other farmers around the country and passed a bill which addresses their concerns and will strengthen crop insurance and provide better risk management tools for farmers and ranchers.

Crop insurance is just one recent example of how the Committee on Agriculture takes a grass-roots approach in learning about a problem and then, with a bipartisan effort, efficiently works to solve it.

Congress is once again being called upon to listen to what is going on in farm country and respond in a timely and effective manner. After hearing from my farmers, I introduced a bill last week, H.R. 2843, the Emergency Assistance for Farmers and Ranchers Act of 1999. In addition, I call on Members to help pass the emergency spending bill necessary for flooding and drought in crop areas this week.

WHEN TAX DOLLARS ARE USED FOR MORE GOVERNMENT PROGRAMS, THE LIBERALS ARE SILENT

(Mr. WELDON of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELDON of Florida. Mr. Speaker, if Republicans want to provide tax relief to American families, the liberals are outraged. What about the national debt, they shout? But when it comes to more Washington spending, suddenly, the liberals are silent. Not a word is spoken by the liberals about the debt when more spending and bigger government is being debated. Suddenly, it is as if the national debt never existed.

This feigned concern about fiscal discipline and the national debt by the same people who have spent the past 40 years expanding government and accumulating that debt is obviously insincere. Tax relief never, but more government spending, sure. That is the pattern and we see it day in and day out. The less revenue the Government takes in, the less social engineering, the less redistribution of wealth and the fewer new Government programs the left can oversee. That is why they hate tax relief so much.

THE GOVERNMENT SHOULD NOT KOWTOW TO SPECIAL INTERESTS, INCLUDING DAIRY CARTELS

(Mr. ROYCE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROYCE. Mr. Speaker, the price Americans pay for a gallon of milk is dependent upon how far they live from Eau Claire, Wisconsin. Now, this is moodoo economics. In 1996, Congress passed and I supported the Freedom to Farm Act, which directed the Department of Agriculture to create a more market-oriented dairy program. Yet today some in Congress want us to take a step backwards away from reform.

Today's bill would create a costly, burdensome bureaucracy. Dairy cartels are economically inefficient. They are protectionist. They are unfair. They cost the consumer $1 billion a year. Government should not be subsidizing businesses. We do not do it for computer chip factories or convenience stores. So instead of protecting dairy cartels, we ought to protect America's 250 million American taxpayers and consumers, and I urge my colleagues to oppose H.R. 1402. Stop milking our taxpayers. Do not kowtow to special interests.

IF THE PRESIDENT VETOES THE REPUBLICAN TAX BILL, HE RAISES THOSE TAXES BACK TO THE LEVEL THEY WERE BEFORE

(Mr. COLLINS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. COLLINS. Mr. Speaker, I ask, Is today the day the President is going to raise taxes on married couples, increase the income tax rates, tax educational savings, tax families who want to keep family members in their home who are now of senior age, those who want to purchase health insurance, those who want to purchase long-term care insurance? Is today the day he is going to reinstate the death tax, the alternative minimum tax?

That is right, Mr. Speaker. The Congress has lowered the tax burden on American families, American workers and American business by $792 billion. If the President vetoes that tax bill, he raises those taxes back to the level they were before the Congress lowered taxes on American workers, American families, and American businesses.

CONSOLIDATION OF MILK MARKETING ORDERS

The SPEAKER pro tempore (Mr. EWING). Pursuant to House Resolution 294 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1402.

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IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1402) to require the Secretary of Agriculture to implement the Class I milk price structure known as Option 1A as part of the implementation of the final rule to consolidate Federal milk marketing orders, with Mr. HASTINGS of Washington in the Chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Texas (Mr. COMBEST) and the gentleman from Texas (Mr. STENHOLM) each will control 30 minutes.

The Chair recognizes the gentleman from Texas (Mr. COMBEST).

Mr. COMBEST. Mr. Chairman, I yield myself such time as I may consume.

(Mr. COMBEST asked and was given permission to revise and extend his remarks.)

Mr. COMBEST. Mr. Chairman, as all Members know, dairy policy debates are contentious and are characterized more often than not by regional as opposed to ideological differences.

The House Committee on Agriculture has endeavored to provide Members on all sides of this issue ample notice and a fair process in which to debate their views and represent the interests of their constituents.

H.R. 1402, as reported, addresses several perceived weaknesses of the final decision of the U.S. Department of Agriculture as well as current law. During committee consideration, several amendments were included to deal with concerns over price volatility, manufactured product formula pricing, and price support.

Mr. Chairman, I know Members are split on dairy policy. I am also aware that there is no great sense of camaraderie within the industry on this issue. This is a modest bill which makes some modest changes in the federal dairy program. I urge all Members to support this legislation.

Mr. Chairman, I reserve the balance of my time.

Mr. STENHOLM. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in strong support of H.R. 1402.

Mr. Chairman, we have a considerable variety of federal programs meant to guarantee a healthy agricultural sector for our Nation. Year after year, Congress has reaffirmed its commitment to build, redesign and improve policies that promote it. The more I think about these different programs and their purposes, the more I come to the conclusion that the key to a strong system for farming and ranching is the maintenance of policies that support cooperative effort.

I am very excited that we have the opportunity to debate this issue today. Because whether we are talking dairy or cotton or sheep or hogs or corn, the problem is price. We have to find ways for our producers to get more of the agricultural dollars, and the long-term solution from the producer standpoint is cooperation, cooperation in the traditional sense of cooperatives and cooperation now soon to be in a nontraditional sense in which corporate America recognizes it is in their best interest to do whatever is necessary to see that more of the consumer dollars go to the producer's pocket.

Mr. Chairman, dairy farmers are extremely vulnerable as stand-alone price-takers. Being a highly perishable commodity, raw milk can be kept on the farm for only so long before it becomes worthless. This fact is what has given rise to the need for a federal pricing system. The federal milk marketing order system promotes the opportunity for dairy producers to get a fair deal from the processor and does so without setting strict, unaltered minimums. Instead, regulated prices fluctuate each month according to changes in the market. The key benefit of the program then is not in price enhancement but in the promise of uniformity that takes away the processor's opportunity to play one producer off against another.

Mr. Chairman, this program promotes producer cooperation. Without that cooperation, the producer has little chance of bargaining for a fair deal with a processor who can wait while the milk deteriorates in the tank. With cooperation, we have a shot at a healthy dairy sector and we will continue to have a safe, abundant and reliable supply of milk.

While most processors would not choose to conduct business in that way, and do not, the program then and the enhanced cooperation that results from situations in which some do is the problem we attempt to address today. The program then, and the enhanced cooperation that results, works to the benefit of the processor and of the consumer, as well as of the men and women who go out to the barn two and three times a day to get the cows milked.

Mr. Chairman, in marking up this bill, the committee adopted an amendment to require forward pricing under the order program. While I opposed that amendment, it has become even more clear to me, since the committee acted, that the provision is a very fundamental challenge to the milk marketing system, and one that will undermine cooperative effort at the very time that we should be promoting it. At the appropriate time, I will offer an amendment to limit the program in a way that will allow forward contracting to go forward without crippling the system.

Mr. Chairman, discussions of federal milk marketing orders nearly always divide along regional lines, and the rulemaking we debate today is no exception. The gentleman from Texas (Mr. COMBEST), and the gentleman from California (Mr. POMBO), chairman for the Subcommittee on Livestock and Horticulture, have done an excellent job of facilitating a fair debate on this matter; and I am grateful for their leadership in bringing the bill to the floor.

Mr. Chairman, USDA did a great deal of work in developing the rule on milk marketing order reform. The farm bill required little more than a consolidation of orders, a reform which by itself was considered to be an important step at the time. In addition to providing for order consolidation, the Department has used this rulemaking as an opportunity to base manufacturing class prices on milk components rather than on Grade B prices, and it establishes several surplus production regions as basing points for determining minimum prices.

H.R. 1402 is designed to preserve all of these reforms and to make reasonable adjustments to Class I price differentials. It represents responsible progress towards an improved system and should be viewed as such against the backdrop of our current program.

I want to thank the chairman for allowing me the time to address the committee regarding this important legislation, and I am grateful for his assistance in helping move this bill forward.

In spite of these accomplishments, there are two areas where USDA badly missed the mark. We need to pass H.R. 1402 to complete the reform process in a manner that does not adversely affect our nation's existing milk marketing system.

Mr. Chairman, this bill is supported by dairy farmers from much of the United States because it is so important to ensuring a successful completion of the milk marketing order reform process directed by the 1996 Farm Bill. By requiring USDA to use Option 1A price differentials in implementing order reform, H.R. 1402 will fulfill the Farm Bill's mandate. It is clear that important portions of the Final Rule issued by the Administration lack the Congressional and public support needed to be sustainable.

Mr. Chairman, this point was made abundantly clear by communications from Congress and public views filed during the comment period. Last year, nearly 240 Members of the House wrote to USDA expressing their support for Option 1A. According to USDA documents of the 4,217 public comments that were received regarding the Class I pricing structure, 3,579 of them were in favor of Option 1A.

In spite of these overwhelming expressions of public sentiment, USDA did not listen. Its decision gives rise to the need for Congress to act further.

Mr. Chairman, in understandable efforts to simplify a complex issue, many have characterized Option 1B—the option chosen by the Department—as reform, and Option 1A as the status quo. This characterization is simply incorrect.

Mr. Chairman, Option 1A is not the status quo. For many years, it was a goal of Upper Midwest dairy organizations to encourage a consolidation of milk marketing orders—so much so that the Farm bill's requirement for consolidation was that region's main accomplishment in the Dairy section of that bill. Option 1A would accomplish that goal to the same degree as Option 1B. Under the old rhetoric then, even with Option 1A, the Final Decision would be a significant accomplishment. But apparently the debate has shifted and we are faced with a new measure of success.

It was also a goal of the Upper Midwest to bring an end to the accepted notion that each Order's Class I differential is related to its distance from Eau Claire, Wisconsin. Option 1A recognizes three surplus zones as the basis for determining Class I prices. In Texas, this result itself means a significant lowering of the differential and therefore of prices received by producers. Option 1A will reduce income for Texas Producers as well as producers in many other parts of the nation. So, again, under the old rhetoric and the old standards of success for the Upper Midwest, Option 1A represents a significant victory and a change from the status quo.

Mr. Chairman, producers who are supporting Option 1A were prepared to accept these changes in Federal Orders that would have made the system more equitable for the Upper Midwest. The Final Decision, however, will result in a substantial negative impact on dairy producer income in Texas and in many other areas. In short, the Final Decision goes too far and unduly threatens the value of dairy farm investment in the United States.

Mr. Chairman, in addition to focussing on Class I differentials, I have devoted considerable attention to another controversy relating to the Final Rule: the manufacturing milk pricing formulas. Several witnesses at the Subcommittee on Livestock and Horticulture's hearings this year raised concern that these formulas will have a significant negative impact on all producer prices. For this reason, I offered an amendment that was adopted by the Agriculture Committee to provide an interim solution to this problem. Section 2 of the Committee substitute requires that USDA initiate a new rulemaking for developing Class III (cheese) and Class IV (butter & nonfat) pricing formulas. While that rulemaking is pending, the Final Decision's formula is modified in a manner that will partially ease the negative impact of the Final Rule's formula on dairy farmer income.

Mr. Chairman, for many years, a problem with the Federal order system has been its incompatibility and risk management tools known as forward contracts. Such contracts are often used by producers of other agricultural commodities. In an effort to maintain a sensitivity to market forces, Federally regulated milk prices are reset each month in response to market movements. Finding a way to allow producers and handlers the option to enter into log-term price relationships without undermining that system has been a great challenge.

During the Committee's consideration of H.R. 1402, Mr. DOOLEY offered an amendment that was adopted by the Committee to require USDA to allow forward pricing. I opposed the amendment at the time because I did not feel it contain sufficient safeguards, however I have been working closely with Chairman POMBO to develop improvements. To that end, we have developed an amendment that will allow forward pricing to go forward on a limited basis. Under the amendment, the forward pricing program would expire as of December 31, 2004, and would apply only to non-Class I milk. The amendment also requires USDA to submit an interim report to Congress on the operations of the program.

Mr. Chairman, USDA did a great deal of work in developing the rule on milk marketing order reform. The farm bill required little more than a consolidation of orders—a reform which, by itself, was considered to be an important step at the time. In addition to providing for order consolidation, the Department has used this rulemaking as an opportunity to base manufacturing class prices on milk components rather than on Grade B prices, and to establish several surplus production regions as basing points for determining minimum prices. H.R. 1402 is designed to preserve all of these reforms and to make reasonable adjustments to Class I price differentials. It represents responsible progress towards an improved system and should be viewed as such against the backdrop of our current program.

Again, Mr. Chairman, thank you for allowing me the time to address the Committee regarding this important legislation. I am grateful for your assistance in helping move this bill forward.

Mr. Chairman, I reserve the balance of my time.

Mr. COMBEST. Mr. Chairman, I yield 2½ minutes to the gentleman from California (Mr. POMBO), chairman of the subcommittee which has jurisdiction over dairy policy.

Mr. POMBO. Mr. Chairman, I thank the gentleman from Texas (Mr. COMBEST) for yielding me this time.

Mr. Chairman, I would like to just take a couple of minutes to hopefully try to explain to my colleagues how we arrived at the position that we are in in terms of this legislation. A couple of years ago when we passed the Freedom to Farm Act, as part of that legislation, as part of the farm bill, we directed USDA to go in and look at the dairy program, to redo the milk marketing orders and the rules that we play by, and they spent a considerable amount of time in public hearings, in internal work, to try to come up with a plan that they felt would work.

I think all of my colleagues realize that the current dairy program is extremely complicated. A lot of times it does not make a lot of sense to a lot of Members, and to those of us that have spent a huge amount of time working on dairy policy it does not make a lot of sense to us either. It has been extremely difficult to work our way through 60 years of dairy policy and try and come up with something that is going to operate, something that is going to work and something that will be a transition period for America's dairy farmers to go away from a command-and-control, government-knows-best dairy policy into a more free-market policy, which I believe is the majority of our goal that we would like to achieve.

□ 1045

That transition that we are in the middle of right now, USDA came out with their recommendation, and some people cheered it and others were extremely opposed to it because of the changes that they made. What the Committee attempted to do was to come up with a compromise piece of legislation, legislation that would give us the ability to transition away from the government-run dairy policy into a more free market dairy policy.

The bill that we will have before us today is part of that transition. I do not like everything that is in the legislation. In fact, there are many things in there that I dislike. But I do believe it is a reasonable transition.

One of the important things in our part of this legislation that the gentleman from Texas (Mr. STENHOLM) talked about before was the ability to do forward contracting. I do believe that this is part of the future of dairy in this country, and it is an important tool that our dairy farmers ought to be able to use. Mr. Chairman, with the gentleman from Texas (Mr. STENHOLM), I am introducing an amendment that I believe puts safeguards into that particular part of the legislation. I urge my colleagues to support that amendment.

Mr. PETERSON of Minnesota. Mr. Chairman, I ask unanimous consent to control the time previously controlled by the gentleman from Texas (Mr. STENHOLM).

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, following the gentleman from California (Mr. POMBO), I am one of those that has been down on the Subcommittee on Livestock and Horticulture working on this issue over the last number of years, and it has been frustrating, to say the least. I would just like to say to my colleagues, I understand they are getting a lot of pressure from farmers and co-ops and so forth, but for those that believe in the free market and believe in free trade and pushed the GATT and NAFTA, I would just say to them, how can they continue to defend a system whose time has passed.

There was a good reason back in 1937 why we set up the system we have now, because we wanted to keep fluid milk close to the population centers, but times have changed. We have interstate highways, we have refrigeration, we have a lot of things that we did not have back in 1937, and because of that, it is time to change this policy.

The Department has done a good job, they have gone out across the country, listened to everybody, put together a program that I do not like completely because it does not go far enough, but it is a step in the right direction, and that is what we asked them to do back in 1996. So we ought to follow through on that commitment, and we ought to not pass this bill and let the work that the Department put together become the law of the land.

The other thing that people ask me all the time is why is it that it looks like Minnesota and Wisconsin against the rest of the country on this. Well, people need to understand that this bill focuses on the class 1 differentials, which are just part of the picture in dairy farming. In the Midwest, 85 percent of the milk that we produce goes into manufacturing. The reason that we are concerned about this current policy is that it is not based on economics.

The current Class I differentials were put in place when Tony Coelho, who was the head of the Dairy Subcommittee, legislated them and basically locked all of the dairy industry in a room in 1985 and forced them to come up with these legislative Class I differentials that are in the statute. What we are trying to do here is to change those differentials so that they require more what the economics of the dairy industry are.

What our concern in the Midwest is that we are a manufacturing market and when the government pushes people to produce more because of government policies, that excess milk gets dumped into our manufacturing market and it affects our price, and that is why we are concerned about this.

The other thing that is an issue in all of this is that California has had their own system, which is similar to a compact that was set up in the northeast area, and they have entered into this because this new system is going to make the manufacturing price of milk closer to what their price is, and they have been using this as an advantage to lure some of the manufacturing industry to their State because of the way the Federal policies have been set up in the past, and they are outside of that Federal system.

So what we are trying to do with this is get the whole industry more on a level playing field, get it to more mirror economics, and it is the right direction to go. I understand where some of the co-ops and farmers are coming from because the economics of the current situation favors their business structure, but it is not the right thing for the country. Again, I say to people, if they are supporting this, if they believe in the free market and free trade, how can we set up a system where we are going to put up barriers within this country and favor one farmer over another, or price milk based on how it is going to be used at one price or another. This is what the Soviet Union tried, it did not work, and it is not the best thing for this country.

So I urge that we defeat this bill.

Mr. Chairman, I reserve the balance of my time.

Mr. COMBEST. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Chairman, I thank my colleague from Texas for yielding me this time.

I would say to my colleagues that the gentleman from Minnesota (Mr. PETERSON) and I have spent 9 years almost on the Committee on Agriculture, on the Subcommittee on Livestock and Horticulture, trying to make some sense and bring this order to the Federal milk market order system; trying, we believe, to allow farmers to have the chance to succeed by getting the Federal Government out of their way. But, for 62 years, we have had this program that sets up milk cartels, 34 of them currently, around the country, and part of the reform that is going into place in the next couple of weeks will reduce the number of marketing orders to 11. As we get into this process, there are certainly changes that will occur in the differential.

Mr. Chairman, H.R. 1402, which we are debating today, seeks to derail these long overdue reforms to the milk market order system. But let me be honest, these are the most modest of reforms that are being blocked today. For decades, the U.S. dairy policy has discriminated against some dairy producers based on their distance from Eau Claire, Wisconsin. I think it is time to say enough is enough.

We looked at data, the Committee on Agriculture did, to show that some 60 percent of dairy producers in this country would benefit from the reforms the USDA is about to put in place, and there are all types of numbers around, but this is a consensus of the numbers. So why do we want to stand in the way of some 60 percent of U.S. producers who are likely to gain from this change in this order?

As we, most of us, believe in free trade, asking countries around the world to tear down trade barriers, we in this country have one of the largest trade barriers within our own country, and that is this Federal milk market order system. I just cannot understand how my colleagues can continue to defend this depression-era system that says that milk is going to be priced based on its distance from Eau Claire, Wisconsin, and that we are going to pay producers a different amount of money, depending upon how the milk that they sell is used.

So today we will have a chance to debate this, and I am looking forward to a healthy debate.

Mr. PETERSON of Minnesota. Mr. Chairman, could I inquire as to how much time we have remaining on our side?

The CHAIRMAN. The gentleman from Minnesota (Mr. PETERSON) has 21 minutes remaining.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 3½ minutes to the gentleman from Wisconsin (Mr. KIND), who has been a leader on this issue.

Mr. KIND. Mr. Chairman, I thank the gentleman for yielding me this time.

I rise to urge my colleagues to oppose H.R. 1402 on final passage. This is a debate, quite frankly, that I am sure no one has looked forward to. It seems to be a perennial thing that goes through this United States Congress, and it is unfortunate in many respects. I think this is bad legislation based on policy reasons, but also based on procedural reasons.

First, the procedure, Mr. Chairman. Back in 1996, my predecessor, Steve Gunderson, who was then chairing the Dairy Subcommittee, was going to write some legislation in the Freedom to Farm bill to reform this depression-era milk-pricing system that exists in this country. But there was an agreement reached, an understanding reached back then that instead of having legislation go forward under Freedom to Farm, they were going to let the regulatory and rule making process at the Department of Agriculture take its course. Over the next few years, the Department of Agriculture held countless hearings across the country, took testimony from experts in the field, from dairy producers, and proposed a reform that is due to take effect on October 1.

This is a very small, gradual reform, but a reform that heads in the right direction in leveling the playing field and creating a fair and more equitable dairy policy for all of the producers in this country. But now, here we are in the eleventh hour, just a few short days before that reform is to take effect, with this legislation that would effectively stop that reform. This is unfortunate, because I believe people's words in this House should stand for something, and agreements should count for something. I am afraid that if we cannot rely on each other's promises and agreements that are reached, I shudder to think what the environment is going to be like in this chamber on a whole host of other issues.

But there are policy reasons to oppose this as well. Milk is the only product that faces price discrimination in this country based on where it is produced and what it is used for. There is no other product that faces this same type of discrimination, and under the current policy, that subsidized rate is based on distance from a beautiful city in the heart of my congressional district, Eau Claire, Wisconsin. It does not make any sense.

For those Members, especially rural Members, who constantly complain about the disparity in reimbursement rates under the Medicare formula, how can they continue to defend a dairy program that effectively does the same thing, based on geography in this country. For those Members who are strong advocates of fair trade with other countries around the world, how can they continue to defend a dairy policy that effectively creates trade barriers within our own country. It is comparable to setting up a new Federal program that would subsidize aqua farmers for raising lobsters based on distance from Boston and Maine or farmers that are growing oranges and get a higher subsidized rate based on how far they are from Florida or even high-tech companies, giving them a competitive advantage because they are further away from the Silicon Valley.

The point is that under our current economic system, there are going to be comparative advantages for producers, especially in agriculture, that the government should not interfere with.

Mr. Chairman, if my colleagues cannot vote "no" on H.R. 1402, I am going to be offering an amendment today which will stop pitting region against region, farmer against farmer, family against family. It is a pooling program where the Class I differentials, what the farmers get for the milk they produce for drinking purposes, would be pooled and then distributed equally and fairly to all of the producers around the country, regardless of where they happen to be producing that milk. I think that is a fair, equitable and a common sense approach which would finally end this constant regional fighting and civil war over dairy policy that we have in this chamber all too often.

Mr. COMBEST. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. GUTKNECHT), who is very involved in agriculture policy.

Mr. GUTKNECHT. Mr. Chairman, I thank the Speaker for allowing us to have time to debate this on an equal footing.

Mr. Chairman, today we are engaged in a great debate on a Federal policy that defies rational economic policy and just plain common sense just as Anton Scalia a couple of years ago described the Federal milk marketing order system as "byzantine."

I doubt if there are more than a handful of Members on the floor of this House, in fact, I think if we had a quiz, I suspect all would fail if we were asked to describe in detail exactly how the milk marketing order system works. But we do know that it defies any logical or economic sense.

Currently, the gentleman from Wisconsin (Mr. KIND) and myself, as well as some other Members, have Russians who are visiting in our districts, and we are going to be hearing today about the milk marketing order system being almost a Soviet-style price scheme.

But it is interesting that even in Russia today they are allowing markets to set the price of milk, and yet we are engaged in this debate today as to whether or not we will allow some modest reforms that Secretary Glickman came up with to go into effect.

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Mr. Chairman, we are going to hear some interesting things today. Among them, some people are claiming this is going to cost the milk industry $200 million. That is not what the USDA said. That is not what the consensus of economists who have looked at that have said. They say at maximum it is going to cost dairy farmers $3 million. That is the worst it is going to be.

Let me read a quote from the USDA. If the modest reforms the Secretary wants to put in place October 1 were in effect this year, let me read this quote, ''Over all Federal orders, the average blend price would have averaged 15 to 20 cents per hundred weight higher if Federal Order reform had been in place over the last 12 months and nearly all farmers would have been better off.''

Mr. Chairman, we are not talking about making bold changes that are going to drive dairy farmers in some parts of the country out of business, we are talking about modest reforms we are going to allow to go into place. The current policy is indefensible. We should defeat H.R. 1402. We should allow the reforms to go into effect.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 2 minutes to the gentlewoman from Wisconsin (Ms. BALDWIN), a new Member who has been a real leader on this issue.

Ms. BALDWIN. Mr. Chairman, for nearly 6 decades Wisconsin dairy farmers have been victims of a discriminatory pricing system that devalues their product, destroys their economic well-being, and threatens their very way of life. There are literally thousands of dairy farmers that I could tell Members about, but I would like to tell Members a little bit about one family farm, Dwayne and Janet.

Dwayne and Janet operate a family farm in northern Green County in my congressional district. Dwayne's family has operated a dairy farm for four generations, over 100 years. Dwayne, Janet, and their sons work hard to manage their herd of 45 cows. They work between 90 and 100 hours per week. They do not take vacations.

They are very worried about their future. Dwayne and Janet have watched farming decline in their township for the last 20 years. The number of dairy farmers in their township has declined from 55 to now 29. All Dwayne and Janet want is a level playing field. Dwayne and Janet know that other dairy farmers in other parts of the Nation are getting more for their milk simply by virtue of how far they live from Eau Claire, Wisconsin.

Dwayne and Janet still count themselves as lucky so far, but because they have seen their neighbors go out of business, they wonder if they are next.

H.R. 1402 is bad for Dwayne and Janet and all other Wisconsin dairy farmers. The Department of Agriculture has offered a fair reform plan. It is not everything we want, but it is a step in the right direction toward a more fair system, a system which can offer some hope for family farms and to people like Dwayne and Janet.

Mr. COMBEST. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri (Mr. BLUNT), the original author of H.R. 1402.

Mr. BLUNT. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I am glad we are dealing with this issue today. It clearly is an issue that the House has been divided on for some time, but it has been overwhelmingly divided in favor of H.R. 1402. Last year, 238 Members of the House and 62 Senators wrote the Secretary and asked the Secretary to stay with the Option 1A pricing structure. The Secretary ignored that and came back with a different structure.

This year 228 Members have joined me as cosponsors of this legislation. This House is overwhelmingly supportive of commonsense dairy policy for American farming families.

My good friend, the gentleman from Minnesota, just said, I believe, that the USDA estimates that there would be maybe a $3 million loss to American farming families. The estimates that I see are $200 million, and in fact, in my district alone, the Seventh District of Missouri, in southwest Missouri, most of our milk is marketed on the fluid market. The Secretary's rule would reflect a 49 cent per hundred weight decrease in fluid milk. This means that in the Seventh District, there would be a $4 million loss. If we have a $4 million in the Seventh District of Missouri, which is not any longer in the top 10 dairy-producing districts of the country, even though for years and for generations it was, there is no way we are going to have a $3 million loss nationwide.

Mr. Chairman, this is the difference in farming families continuing to farm in the majority of our States. Forty-five States are negatively affected. An average dairy farm in those 45 States, a small dairy farm of around 100 cows, would lose between $6,000 and $15,000 a year, depending on the other market factors.

On dairy farm after dairy farm, the difference in $6,000 a year to $15,000 a year is the difference in whether they continue to maintain that farm, whether their family continues to be in this business, whether there is a fresh supply of milk produced reasonably close to consumers.

There is a reason that every bottle of milk has a date on it. The reason is that this is a highly perishable product. It does not have tremendous shelf life. It needs to be produced close to the people that consume it. Option 1A continues that policy that continues that kind of production. I urge my colleagues to support this bill.

Mr. PETERSON of Pennsylvania. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. HOLDEN), a member of the Committee on Agriculture and the Subcommittee on Livestock and Horticulture, and a leader on this issue.

Mr. HOLDEN. Mr. Chairman, I rise today in support of H.R. 1402, legislation to mandate the implementation of Option 1A of the Federal Milk Marketing Order System.

In Pennsylvania, dairy is the largest agricultural enterprise, representing a $1.5 billion industry. Pennsylvania is the fourth largest dairy State in the country. Dairy is important to Pennsylvania and the entire Northeast because of the particular contribution it makes in both dollars and jobs.

Over the past 2 years, I have worked with a majority of my colleagues in support of replacing the Federal Milk Marketing Order System with what is known as Option 1A. That is why I strongly opposed the rule proposed by the Secretary, a modified Option 1B. If implemented, it penalizes dairy producers to the tune of at least $200 million per year. In Pennsylvania alone, that loss will be about $20 million a year, based on a reduction in Class 1 differentials.

It discriminates in providing a fair and equitable price to dairy farmers in most regions of the country. In both the short and long run, it will hurt consumers by reducing supplies of locally-produced fluid milk and drive up prices at supermarkets.

The bill before us today will implement a widely-supported Option 1A which will provide equitable pricing for fluid milk, ensure affordable dairy products to consumers, and prevent the further erosion of the economic well-being of many small communities. It will ensure that our Nation's dairy farmers receive a fair pricing system and consumers have an adequate supply of fresh dairy product.

I encourage my colleagues to join the 229 cosponsors and vote in support of H.R. 1402.

Mr. COMBEST. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. CALVERT), a member of the committee.

Mr. CALVERT. When I was in the restaurant business, Mr. Chairman, I had to work hard to get the lowest prices, the best workers, and the most bang for my buck. If I was not competitive I risked going out of business, plain and simple. This is the American way. H.R. 1402 would revert us back to a dairy market system that is quite simply anti-American, anti-business, and anti-consumer.

I have some of the most efficient and successful dairy farmers in this country, probably the largest dairy district in the United States. They watch their expenses, they make a great product, and if given the chance, they would be highly successful in an unregulated market.

We are just talking about a modest change here today, Mr. Chairman. We are just trying to change a system that prices milk based upon the distance from Eau Claire, Wisconsin. What business in America would do that? I would encourage all Members to take a close look at this.

With current technology and transportation, it has changed this country and we no longer need to run a system that way. Oppose H.R. 1402 and let us get back to the American way.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 3 minutes to the gentleman from Vermont (Mr. SANDERS), who has also been a leader in dairy policy.

Mr. SANDERS. Mr. Chairman, I thank my friend, the gentleman from Minnesota, for yielding time to me.

Mr. Chairman, I rise in strong support of our Nation's dairy farmers, in strong support of H.R. 1402, and in strong opposition to the poison pill amendments that have been offered.

This legislation is critical for the survival of dairy farms in the State of Vermont and all over this country. It would implement the Class 1 milk price structure known as Option 1A as part of the final rule to consolidate Federal Milk Marketing orders. It would protect family farmers all over America who in recent years have seen a significant drop in the price that they get for their milk.

In fact, today in terms of inflation-accounted for prices, farmers today are receiving 35 percent less in real dollars than they received 15 years ago, which explains why all over America we are seeing family farms going out of business, we are not seeing young people getting into farming, and we are seeing the industry becoming dominated by larger and larger agribusiness corporations, rather than small family-owned farms.

Option 1A is supported by 229 Members of the House. The reason for that is that the economics is very clear that Option 1A will help 45 out of the 50 States.

Let me suggest to Members the options that we have. If present trends continue, in my view, what dairy agriculture will look like 10 years from today is that a handful of agribusiness corporations will control the production and distribution of dairy products. The alternative is to maintain, as best we can, family-owned farms all over this country who protect our environment, who protect our rural economies, who provide fresh product to the people in the various communities.

Does America really want a handful of corporations to determine the price of dairy product? Does America really want to lose family farms all over the country and see our green land converted into parking lots, or are we going to fight as hard as we can to protect family farmers, who provide us with fresh, high quality product?

I would urge Members of the House, the 229 who are supporting this excellent legislation, to stand firm against the amendments that are being offered which would ultimately undermine the goals of this legislation. Let us stand with the family farmers who work 7 days a week, 12 hours a day, producing the quality of food that we desperately want and need to maintain.

Mr. COMBEST. Mr. Chairman, I yield 1½ minutes to the gentleman from Michigan (Mr. SMITH), a member of the committee.

(Mr. SMITH of Michigan asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Michigan. Mr. Chairman, I am a dairy farmer from Michigan. I am supportive of H.R. 1402. It implements one of USDA's proposals known as Option 1A.

Briefly, let me try to explain to our nondairy Members roughly what we are talking about. We started pricing milk back in 1937 because there was unfair bargaining between dairy farmers and the processors of milk. The processors of milk had the bargaining advantage and could rip off those dairy farmers simply because milk is perishable and is lost if not purchased. They could do anything they wanted to with you because your milk will spoil if not picked up, so the dairy processor had monopoly power over the individual dairy farmer. So government became involved in pricing milk.

It is interesting that today there are still about 200 dairy farmers producers for every one processor as there was in 1937, so some pricing structure needs to stay in place if we are to continue producing an adequate supply of milk in this country. These two changes USDA came up were their two top proposals on how to involve the government; namely, Option 1A and Option 1B. Option 1A has less change from the current system; Option 1B has a more dramatic change.

But I would suggest to Members, there are already very dramatic changes that include going from 31 milk marketing orders to 11 orders in this country, Also both proposals dramatically change the way we price milk and change the way we classify milk. It is very important, I think, in making this transition that we go with the less drastic change that is Option 1A.

Members ask why roughly 87 percent of our milk is sold through cooperatives. It is because dairy farmers are over the barrel and do not have the ability to bargain effectively as individuals. They do have cooperative bargaining rights that will be helped with the passage of this bill. I think it is very important that we pass this bill and go with Option 1A.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 2 minutes to the gentleman from Mississippi (Mr. SHOWS).

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Mr. SHOWS. Mr. Chairman, our dairy farmers are not numbers and statistics to be shuffled around like a spreadsheet without care and concern. Our dairy farmers are part of the American farm family. They are men and women who work hard every day. Farming is not as much a career as it is a way of life. It is a way of life that touches every life in America.

In my district, in the 4th District of Mississippi, we have over 300 dairy farmers, more than 24,000 dairy cows, and a total value of agricultural crops and livestock products of over half a billion dollars. Dairy farming matters to the communities and towns and lives of Mississippians.

All Americans, whether in the big cities, main streets of our towns, or roads of the countryside are touched by the hard work and care given to supplying fresh and wholesome milk to our tables.

Milk does not just appear on the refrigerator shelves of our markets. It gets there through hard work.

The American Government is wrong in attempting to enact policy that is not fair and equitable to all our dairy farmers. It is wrong to suggest some places matter more than others. All our farmers work hard, pay their dues, and give back to their communities and supply us with the highest quality, safest, best, and most economical food supply on the planet.

Fairness across the board must prevail. Let us pass H.R. 1402 today and move forward as one American farm family serving one America.

I would like to remember the 1–A and 1–B. 1–B stands for bad. Let us remember 1–A.

Mr. COMBEST. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. RAMSTAD).

Mr. RAMSTAD. Mr. Chairman, I thank the gentleman from Texas for yielding me this time.

Mr. Chairman, I rise in common sense tripartisan opposition to the bill before us today.

Mr. Chairman, we need to cut to the chase and listen to Minnesota's governor, Jesse Ventura, who body slammed this bill during recent testimony before the House Committee on Agriculture.

Governor Ventura, in his common sense, no-nonsense direct way put it best when he said, ''What we need, without question, is to end the nonsense that has the price of milk tied to how far the cow is from Eau Claire, Wisconsin. Now that there are refrigerated trucks'' in America, ''it makes sense to abandon 50-year-old thinking and find a new way to look at the 'millennium' dairy industry, one that reflects today's economic realities and is at least fair.''

Governor Ventura is absolutely right, and we all know it. If H.R. 1402 passes, it would derail long-overdue reforms to our Nation's Depression-era milk pricing regulations. As Governor Ventura further explained, and as we all know, Secretary Glickman has come up with a plan to correct some of the 50-year-old problems, but H.R. 1402 would torpedo that plan.

The current system, as has been said today, is based on outdated realities of milk production, consumption, and transportation; and it has caused drastic distortions in milk production in this country.

I urge my colleagues to be fair, use Norwegian horse sense on this dairy policy, use Jesse Ventura common sense. Vote for a level playing field across America. Vote no on H.R. 1402.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. DOOLEY), a member of the Subcommittee on Livestock and Horticulture, and a real leader on this issue.

Mr. DOOLEY of California. Mr. Chairman, I rise in strong opposition to H.R. 1402, and I do so because it is time for us to move in a direction that takes us away from a program that was developed during the depths of the Great Depression.

As I have often said, it was Secretary of Agriculture Henry Wallace that introduced this program, many our farm programs, as a temporary solution to deal with an emergency. We no longer have an emergency in the dairy industry.

We have some of the highest milk prices that we have seen in history, yet, we are still trying to promulgate and continue a policy that is not going to allow this industry to become increasingly competitive so we can provide consumers with a lower cost product and allow U.S. dairy farmers to become more competitive internationally.

When we get right down to it, the issues are very simple. When we look at the cost of production of milk in the United States, there is a great disparity. If we look in the southeast of this country, it costs about $17.50 a hundred-weight to produce milk. We go to the northeast, it is in the $14, $14.50 a hundred-weight. We go to Wisconsin and Minnesota, they can produce milk at $12.25 a hundred-weight. We go to the Pacific Coast, they can produce it out there for a little over $11 a hundred-weight.

We have in the United States, family farmers, dairy farmers that are able to produce milk at a third of the cost as other parts of the country. Yet, we are continuing a policy that is not going to allow those dairy farmers in those areas where they have a relative advantage to realize that advantage and opportunity.

There is no other sector of our economy, no other agriculture commodity that we are growing that we have a farm policy that dictates that we are going to require consumers and processors to pay more for milk that does not have any direct correlation to market prices. That is what we are doing here.

If we do not oppose H.R. 1402, we are going to ensure a policy where the Government is dictating what consumers and processors are going to have to pay for milk. When we are moving into a world which we understand and we have to become increasingly market oriented, we ought to allow the marketplace to dictate where milk is going to be produced.

We should not have a federal policy that is going to ensure that we are going to have cows in the southeast where it is a very high cost of production when we know that there are family farmers in other regions of the country that can provide the same product at a lower price that can deliver that product to consumers through transportation of other means.

Government should not be prejudicing whether or not a producer, a dairy farmer, is going to be supplying milk to a particular market because of the fact of how far they live from Eau Claire, Wisconsin.

This policy is out of date; it is time to move on. It is time to allow the dairy farmers of this country which had the greatest opportunity and ability to produce milk at the lowest prices to realize that advantage, to realize that opportunity, and allow the marketplace to work.

Mr. COMBEST. Mr. Chairman, I yield 1½ minutes to the gentleman from Pennsylvania (Mr. SHERWOOD).

Mr. SHERWOOD. Mr. Chairman, I rise in strong support of H.R. 1402 which would direct the Secretary of Agriculture to implement the Class I milk marketing structure known as Option 1–A that will put some sense back in the system that they are trying to change that has worked for so long.

If my colleagues look at my diagram, they will see what bleeds red, almost the whole part of the country, except some parts of California and the upper Midwest. Although I have great respect for my colleagues on the other side of the debate, in this case, they are dead wrong.

This map was made by the Department of Agriculture. The red part of the map, which is the vast majority of the country, shows the farmers that get hurt. If we do not pass H.R. 1402, we will have all the milk in this country produced in a couple areas.

The next thing they will be asking us to do is reconstitute it so they can ship it. Mr. Chairman, do my colleagues know the difference between fresh orange juice and concentrate? That is where we are going in the milk business if we do not pass H.R. 1402.

We have had in my area one hauler that went from 140 stops to 40 stops. That is what is happening to the family farm. Option 1–A of H.R. 1402 will help us delay that.

I had a lady come into a meeting that I was at a while ago and she said, I came and I had to go home. Her son sent me a little letter. His mom had told him I could vote on this. He said, ‘‘Mr. Voterman, my mom says you can help us. Please help my Grandpa Jack’s cows.’’

The CHAIRMAN. The Chair would advise Members that the gentleman from Texas (Mr. COMBEST) has 14 minutes remaining. The gentleman from Minnesota (Mr. PETERSON) has 6½ minutes remaining.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 3 minutes to the gentleman from Maine (Mr. BALDACCI), a member of the Committee on Agriculture.

Mr. BALDACCI. Mr. Chairman, there are a lot of formulas, there is a lot of gobbledegook, and a lot of things that maybe a lot of people have a hard time understanding. But the basic fact is that this legislation would preserve the present system. Under the alternative that the Department has promulgated and that the detractors of this legislation are presenting, it would take $200 million out of the pockets of dairy farmers. It would take $200 million out of those dairy farmers pockets.

It would be there to help people who are further up the chain other than the dairy farmer in the family farms that are spread throughout this country.

So one thing is very clear. If my colleagues support the current level of funding that is going on and the arrangements that are in place right now, then they will support this legislation. If they want to support taking $200 million away from those dairy farmers and further jeopardizing their livelihoods, because we all know whatever we want to call it, people are working off the farm to stay on the farm. They are trying to raise their kids in a quality of life situation that not too many people have an opportunity for.

In our State of Maine, $95 million a year is coming from dairy revenues. We are down to 600 small farms now. We used to have twice that number. Most people are telling me, John, the only thing that is constant in the business is how much we get for our milk. Everything else is going up by telegraph. Everything that we get is staying flatline, and we are having a hard time struggling to stay there.

That is where most of the dairy farmers are in our State of Maine and throughout the northeast. Nobody is getting rich at the present formula that is put in place.

But one thing is very clear. If my colleagues want to take $200 million, which is what the Department has estimated would come from the implementation of their policies, would reduce farm income by $200 million, then vote against this legislation.

If my colleagues support the small dairy farmers throughout this country and they support family farms, then they are going to vote for this legislation which has over 228 Members that are supporting this in a bipartisan fashion to support the implementation of the 1–A program that has been supported by over three quarters to almost 80 percent of the dairy farmers throughout this country. That has been the support that has really registered here in Washington and something that we need to reinforce.

So I am proud to be one of the cosponsors of this legislation, and I encourage my colleagues to support this.

Mr. COMBEST. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin (Mr. GREEN).

Mr. GREEN of Wisconsin. Mr. Chairman, I thank the gentleman from Texas (Chairman COMBEST) for so graciously providing this opportunity for balanced debate.

I would ask those watching today and listening to remember three points as this debate takes place: number one, we are going to hear a lot today about how family farms in general and dairy farmers in particular are hurting. No one knows that better than I. In the district that I represent, we have seen a massive decline in dairy farming. By this time tomorrow, Wisconsin will have lost five dairy farms. We have lost more dairy farms in the last 10 years than nearly every other State ever had.

I understand that our farmers are hurting. But as we hear about how dairy farmers are hurting, do not forget that they are hurting under the current system, the system which the supporters of H.R. 1402 seek to reimpose. It will not help them one iota.

Point number two to remember, we are going to hear a lot about numbers and about losses. The supporters of H.R. 1402 are going to have their charts. Remember this: the USDA has debunked every one of those numbers. The USDA just recently came out with a report which shows what would have happened if the Secretary's proposed reforms had been in effect over the last year. The doomsday scenarios that we are hearing about are false. They are badly misleading.

Point number three, we are going to hear a lot about the coalition of Members who support this bill, and it is broad, and it is bipartisan. It is 229 Members. Would this be the first time that people inside the Beltway have been wrong? I ask my colleagues, just because they have 229 Members does not make them right.

I do not put my faith inside the Beltway. I put my faith in a different coalition, a broad coalition, a coalition that spans every part of the spectrum. Those standing against H.R. 1402 range from Americans for Tax Reform to the AFL–CIO, Citizens Against Government Waste to the Consumer Federation of America, the Teamsters, the Caucus of Black State Legislators, the Grocers Association, the Food Marketing Institute.

We have had newspapers from every part of the country opining against raising the price of milk which is what H.R. 1402 would do.

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We have heard from the Washington Post, The New York Times, the Chicago Tribune, paper after paper, group after group outside the beltway is saying do not do this. Do not raise the price of milk that consumers have to pay. Do not push farmers out the door.

I urge my colleagues to stand today not within the beltway but with groups outside the beltway opposed to 1402.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 3 minutes to the gentleman from North Carolina (Mr. ETHERIDGE), a member of the committee.

(Mr. ETHERIDGE asked and was given permission to revise and extend his remarks.)

Mr. ETHERIDGE. Mr. Chairman, I thank the ranking member for yielding me this time.

This morning I am proud to join my colleagues in this final push to pass legislation that will allow dairy farmers to survive and to ensure that consumers have access to a fresh milk supply, a fresh supply of milk at the local level.

Enough is enough. It is time that Congress do what a majority of the Members have demonstrated they want done, and that is pass Option 1–A. Every step of the way we have proven that we have the support to do the right thing for the dairy farmers of this country and the consumers of America by passing Option 1–A.

Folks, we are at a crossroads in America today for agriculture. Consolidation is killing the American farmer, and enough is enough. Consumers are going to feel the pain when a few corporations control agricultural production in this country. Too many people today think that food comes from the grocery store. They fail to realize that whatever the product may be, it is produced by a farmer somewhere in this country.

I know that I speak for many Members of this House when I say we are committed to ensuring that these hardworking Americans and their children have an opportunity to succeed in agriculture in the 21st century. But, first, we must bring stability to the national dairy policy.

Option 1–A provides a modest reform for the national system of pricing fluid milk that is fair both to the producer and to the consumers throughout this country. The Department's proposal, on the other hand, would, in my opinion, substantially lower prices for farmers that they get for their fluid milk in about 41 States in this country, forcing many of the dairy farmers out of business. No matter what we hear, that is true. And when farmers go out of business, competition declines and consumers pay. That is a fact, no matter how we want to change it.

Option 1–A is fair both to consumers and to the farmers. And I am tired of folks who keep telling me to let the free market system work. It is not working for the farmer. They are going broke. We have just heard my colleague from Wisconsin saying they are going out of business, and that is a State that has a lot of dairies. In my State we have so few left we can hardly find them. We have to do something to stop it, and this morning we have an opportunity to do something.

We are probably going to pass a $10 billion relief package in some form for our farmers before this year is out, I trust.

But folks, dairy compacts and option 1–A is the disaster relief package my dairy farmers need to survive, and that's a relief package that won't cost the taxpayers one dime.

I want to commend the gentleman from Missouri and the Chairman and the Ranking Member of the Agriculture Committee for their hard work in bringing this bill to the floor, and I urge my colleagues to support this important bill for our nation's dairy farmers.

Mr. COMBEST. Mr. Chairman, I yield 1 minute to the gentleman from Alabama (Mr. RILEY).

Mr. RILEY. Mr. Chairman, we have heard more rhetoric today about everything that is going on here. I have heard one of my colleagues get up this morning and say that if we all took a quiz on this that we would all fail. This is probably one of the more simple things that I have had to deal with since I have been up here.

We have a program in place today that allows most of the producers of milk in this country to receive essentially the same price, but there is a wide variance in the cost of production. So what we are trying to do today is overturn a program that says if it costs, as my friend from California said a moment ago, $17 to produce milk in the Southeast and $12 to produce it in the upper Midwest, what we are trying to do is overturn a program that says that the place that has the cheapest cost of production, we are going to give a dollar per hundred-weight raise; and where it costs more to produce it, we are going to ask for a decline in the price. It makes absolutely no sense to do what we are doing.

Mr. COMBEST. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin (Mr. RYAN).

Mr. RYAN of Wisconsin. Mr. Chairman, a lot of folks have been calling our office, other Members that do not represent dairy States, asking what is going on here. Well, I would like to give Members who do not represent dairy States a little insight as to what this whole pricing formula is all about. If Members think our Tax Code is complicated, wait until they look at dairy.

Out of the Code of Federal Regulations the method for determining the basic formula price for milk and the blend price is as follows:

The basic formula price for milk equals last month's average price paid for manufacturing grade milk in Minnesota and Wisconsin plus current grade AA butter price times 4.27 plus current nondry milk price times 8.07 minus current dry-buttermilk price times 0.42 plus current cheddar cheese price times 9.87 plus current grade A butter price times 0.238 minus last month's grade A butter price times 4.27 plus last month's nondry milk price times 8.07 plus last month's dry-buttermilk price times 0.42 minus last month's cheddar cheese price times 9.87 plus last month's grade A butter price times 0.238 plus present butter fat minus 3.5 times current month's butter price times 1.38 minus last month's price of manufacturing grade A milk in Minnesota-Wisconsin times 0.028.

That is the basic formula price. Now let us go to the blend price, which gets us closer to what the farmer actually gets.

The blend price is the basic formula price plus .12 times percent of milk used for cheese and powder and butter plus basic formula price plus .30 times percent of milk used for ice cream and yogurt plus the basic formula price plus 1.04 plus .15 times the distance from Eau Claire, Wisconsin, divided by 100 times the percent of milk used for fluid milk.

My colleagues, this is the pricing formula set in law 62 years ago; and this is what we are living under now. The USDA is proposing very modest reforms toward a market-based system so that farmers can farm based on their own merit, not based on where the heck they live in proximity to Eau Claire, Wisconsin.

This is the formula. This is how they determine how a farmer basically gets the price for milk. This is more complicated than our U.S. Tax Code, yet the proponents of H.R. 1402 want to keep this price system in place. That is what this debate is about. When we listen to these numbers about $200 million being lost, those are bogus numbers. The USDA, the Food and Agricultural Policy Research Institute concluded on consensus numbers that, at worst, farmers are going to lose $2.8 million a year but, on average, 60 percent of America's dairy farmers are going to do better under the USDA's plan.

So this $200 million figure, Members should not believe the hype. At worst they are going to lose $2.8 million. The decimal point needs to be moved a couple slots to the left.

Mr. COMBEST. Mr. Chairman, I yield 1 minute to the gentleman from Virginia (Mr. GOODLATTE).

(Mr. GOODLATTE asked and was given permission to revise and extend his remarks.)

Mr. GOODLATTE. Mr. Chairman, I thank the chairman for yielding me this time, and I rise in strong support of H.R. 1402. It is a Federal response to a national problem, and it reflects what Congress had intended when it required milk market order reform.

In 1996 through the Freedom to Farm Bill, Congress voted to reform the milk marketing order program. Congress directed the Secretary to reduce the number of marketing orders and phase out the Federal product purchase without compromising the basic pricing structure on which dairy farmers depend.

Again in 1998, a majority of Members from the House and Senate signed letters to Secretary Glickman appealing to him to implement a Federal milk pricing policy that did not significantly lower milk producer prices. Unfortunately, the administration ignored the will of Congress and the desire of the majority of dairy producers and announced the final dairy plan that drastically phases down the Federal pricing program, costing producers nationwide millions in lost farm revenue.

Dairy producers are expected to lose $200 million or more annually when the administration's plan, the modified Option 1–B Class I price differential is enacted. I urge my colleagues to support the 1–A option and to support this bill.

Today, Congress has the opportunity to show support for agriculture and an interest in improving farm income during a time of financial turmoil for farmers by voting for H.R. 1402.

Simply put, Option 1–A reforms the milk marketing order system, reduces volatility, and continues to assure there will be enough fresh milk in all markets of our nation. It does so by keeping in place transportation differentials, a system that has worked for many years, guaranteeing us an adequate supply of fresh, wholesome milk. As the government withdraws from the purchase of dairy products to balance the market, we need to leave in place those mechanisms that assure us a continued supply.

Some may argue that the producers themselves voted for the Administration's plan through the producer referendum in August and we should honor their wishes. In no way should the producers affirmative vote be considered as support for the lower Federal Order Class prices proposed by Secretary Glickman. It was a vote under duress. The Secretary gave the producers no choice. It was either his way or no way at all. Producers voted for his plan in efforts to keep the Federal Order system intact as producers await the enactment of H.R. 1402.

Farmers from across the country are counting on our support. More than 225 members of the House have promised their dairy farmers their support in Congress. Don't be fooled by misleading tactics. This is simply a bill to keep our farmers in business. I urge every member to support H.R. 1402.

Mr. COMBEST. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. SWEENEY).

(Mr. SWEENEY asked and was given permission to revise and extend his remarks.)

Mr. SWEENEY. Mr. Chairman, I thank the gentleman for yielding me this time, and in this short time I have, Mr. Chairman, we have heard a lot of comment on what support there is and what expert evidence there is and support for Option 1–A.

I just want to point out four simple facts, and they are this: That since the passage of the 1996 farm bill, the Secretary of Agriculture has ignored all of the experts, and has been on a biased march to debunk the dairy marketing process in the United States.

Consider that USDA took public comments on many proposals it put forth; and, in the final analysis, comments filed by the dairy industry and dairy experts ran better than 8 to 1 in favor of Option 1–A. The Department empowered a price structure committee composed of many industry experts to make recommendations to the Secretary. This committee recommended Option 1–A. They were ignored.

The Department's own internal dairy division experts recommended Option 1–A. They were overruled. Option 1–B was then advanced. Three hundred Members of the House and Senate sent a letter, concerned about the path USDA was pursuing, wrote to the Secretary and told him that they supported Option 1–A. They were ignored as well.

Experts in the industry and out of the industry know that Option 1–A is the fair and equitable way.

Mr. COMBEST. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. BOEHLERT).

(Mr. BOEHLERT asked and was given permission to revise and extend his remarks.)

Mr. BOEHLERT. Mr. Chairman, I have been here 17 years. If I am here 1700 years, I will not be able to explain the complexities of dairy pricing. But I can tell my colleagues this, the supporters of 1402 are not willing to stand idly by while others would relegate the family farm to the status of forgotten Americans.

Let me tell my colleagues about the consumers, because we are all vitally interested in the consumers. If we do nothing, if we allow this present trend to continue, pretty soon we will have the production of milk concentrated in the hands of just a very few. And when that happens, just watch what happens to the price.

We have an obligation in this House, in this Congress, to provide some assistance to the family dairy farms, and Option 1–B would rob them of $200 million of income. That is totally unacceptable.

Let me give my colleagues another twist on this. Why is the environmental community so sensitive to the plight of the family dairy farms? It is not just because they are an endangered species, which they are, but it is because if we witness the demise of the family dairy farms, we will have more of that scourge of America urban sprawl, and that is not healthy for anybody.

This bill is about protecting our struggling family farmers and ensuring that they get a fair price for the milk they produce for the benefit of us all.

USDA's modified Option 1–B would reduce what return dairy farmers see for their investment at a time when many dairy farmers are already struggling. The dairy farmers' share of consumer dollars spent for milk has been decreasing since 1980. In fact, the percent of the consumer milk dollar going to farmers dropped approximately 20% from 1980 to 1997.

Dairy farmers nationwide stand to lose $200 million a year if the Agriculture Department's Modified Option 1–B pricing plan is for fluid milk is adopted. While farmers would see a reduction in income under the modified Option 1–B plan, this change would have little effect on the price consumers pay for milk because processors and grocery stores are unlikely to reduce prices.

The number of dairy farms and farmers has been declining over the last several years. New York has lost approximately 6,000 dairy farms in the last ten years. Any reduction in farmers' incomes will mean that more producers leave the farm.

Farmers are vulnerable to volatile market conditions because milk is perishable; farmers can't just tell the cows to stop producing milk in order to wait out low prices. Option 1–A gives dairy producers more stability and helps to ensure that they receive a fair price for milk.

Milk prices under the modified Option 1–B will be insufficient to cover the cost of producing milk on many family-sized farms, forcing many of these farmers out of business and leaving few producers with control of the dairy market. This will result in greater concentration of the dairy industry in the hands of a few and higher prices for the consumer.

I urge my colleagues to vote for Option 1–A and H.R. 1402.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield 30 seconds to the gentleman from Minnesota (Mr. OBERSTAR), the dean of the Minnesota delegation and a leader on dairy issues.

(Mr. OBERSTAR asked and was given permission to revise and extend his remarks.)

Mr. OBERSTAR. Mr. Chairman, I thank the gentleman for yielding me this time.

The existing policy is doing exactly what the preceding speaker said, driving the family farm out of existence. We have lost half of the dairy farms of East Central Minnesota in the last 10 years because of policies that are in place, and that would be changed by the Secretary's order.

It is time to end the milk cartels, the regional dairy compacts. It is time to free up the most productive dairy farmers in America, those in the Minnesota-Wisconsin milksheds. It is time to reduce the milk marketing orders from 31 to 11, as USDA proposes. It is time to vote for fair trade at home in the dairy sector and preserve the family dairy farm.

Mr. COMBEST. Mr. Chairman, I yield 2 minutes to the gentleman from New York (Mr. MCHUGH).

Mr. MCHUGH. Mr. Chairman, I thank the gentleman for yielding me this time.

Perhaps some very troubling but, I think undeniable, important facts. As my colleague, the gentleman from New York (Mr. SWEENEY) suggested, the Department had hearings but the Department did not listen. Of the 4,217 comments placed into the hearing record, 3,579, nearly 85 percent of them, supported 1–A. Again, as my colleague so correctly noted, the industry, the Ag Department's own internal price structure committee accepted and recommended 1–A.

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As well, the Congress has voted on this time and time again. During the 1996 farm bill, we considered proposals that would have dramatically altered the price structure and the market order system, but we rejected each and every one of those.

To my friends that say that Congress is now reneging on the deal, let me read the report language from the 1996 farm bill: "The minimum price for class I fluid milk shall be the same or substantially similar to those set forth in the 1985 farm bill." This 1402 is totally consistent with congressional intent.

Let me just make a couple of other points. I am pleased to let Governor Ventura know that, under 1402, or 1–B, neither uses Eau Claire, Wisconsin, as the sole basing point for Class I differentials. So he can go to bed happy tonight.

Also, when we talk about market orientation, both 1–B, the Department's plan, and our bill, 1402, use the market price of cheese as the driving force for class I. So that my opponents here and other opponents can continue not to worry about that, as well.

Also, the Ag Department's analysis, the Secretary's analysis, was totally debunked by every reputable economist and organization that analyzes the dairy industry. They used a totally false premise with respect to class III prices when they came up with the calculation of $2.2 million. I wish it were true, quite honestly. Otherwise, we would not have to be here.

1402 is consistent with congressional intent. It is good for dairy farmers across this country. The House needs to adopt the bill today.

Mr. PETERSON of Minnesota. Mr. Chairman, I yield myself the balance of my time.

Mr. Chairman, I just would say to my colleagues one more time, we have got a pretty good debate here today, but for those of my colleagues that have supported free trade, that believe in the free market, I just say to them, how can they defend a system where we are benefiting one farmer in America over another farmer? We are setting up barriers in this country where we are saying we should take them down in the world. So I would say, how can they defend a program that does that?

The second thing I would say, we have had a lot of talk today about how we are losing family farmers. And that is true. We are leaving them in every area of this country. But we need to understand that we have been losing those farmers under the existing program which House File 1402 continues. So how in the world are we going to save family farmers if we are going to keep the same program that has caused us to lose them up to this point?

Mr. COMBEST. Mr. Chairman, I yield the balance of our time to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Chairman, I thank the chair of the Committee on Agriculture for yielding me the time.

Mr. Chairman, earlier the gentleman from Pennsylvania (Mr. SHERWOOD) had a chart and he said, if this thing is defeated, these areas are going to be bleeding red. But if we think about it, what it really says is that for 62 years they have had an advantage and our farmers in the upper Midwest have been bleeding red.

The gentleman from Alabama (Mr. RILEY) said that in some areas it costs more to produce milk and so we have to have big differentials. But in some areas of the country it costs more to grow wheat. In some areas it costs more to grow corn. And if it costs too much, they do not produce corn in those areas. But in no other area does the Federal Government step in and artificially try to set the prices.

Mr. Chairman, I want to thank the gentleman from Wisconsin (Mr. RYAN) because I think what he read just made my point. In fact, I rest my case. Can anyone in this room, can anyone in this body, can anyone in this country say that they honestly understand the way milk marketing orders are set? Can anyone honestly say that it makes any sense, either economic or policy or politically, can anyone honestly defend this price-fixing cartel?

Shortly after the Soviet flag came down for the last time over the Kremlin, an editorial was written here in the United States and the headline was "Markets are more powerful than armies." What a beautiful line.

Let us take a small step away from this Soviet-style pricing scheme. Let us listen to common sense. Let us listen to our farmers, not to special interests. Let us defeat H.R. 1402.

Mr. GILMAN. Mr. Chairman, I commend Mr. BLUNT for bringing this legislation to the floor today, and giving me the opportunity to speak on behalf of our Nation's dairy farmers, in support of H.R. 1402.

In my home State of New York, agriculture is the largest industry with an annual farm value of products over $3 billion. The State's dairy industry, over 8,000 farmers, accounts for approximately 60 percent of the farm receipts.

With abundant rainfall, productive soil, and proximity to the Nation's largest markets, the outlook for the future of New York's dairy farmers is one of great potential.

However, in a recent meeting with Brian Ford, a dairy farmer from Orange County, NY, it was once again made clear to me, that our Nation's farmers continue to struggle; a struggle made even harder by the inability of the Department of Agriculture to respond to their needs, by moving forward with a plan that reduces farm income in 45 States.

Although our Nation's dairy farmers overwhelmingly support reform, the present class 1 pricing formula will force them to lose at least $200 million annually.

Accordingly, H.R. 1402 will require the Secretary of Agriculture to implement the class 1 milk price structure known as option 1–A, as part of the implementation of the final rule to consolidate Federal milk marketing orders.

A strong agricultural industry is not only beneficial to the farm and food industry, but to the economy of every State, hundreds of local communities, and our consumers. America's small family farms rely on us to provide them with a strong foundation. Since 1993, the United States has lost 25 percent of its domestic dairy operations; a trend that must be stopped.

Accordingly, I urge my colleagues to support H.R. 1402.

Mr. HAYES. Mr. Chairman, over the past few months, I have traveled around my district and listened to farmers and ranchers tell me about the state of the farm economy—low commodity prices, drought, hurricanes. I also heard from my dairy farmers telling me of their dwindling dairy industry in North Carolina. A business which once thrived with as many as 400,000 milk cows, is now down to 75,000 cows—losing 5,000 in the last 3 years alone.

I tell you these things about our dairy industry in North Carolina to give you some insight into our current situation. I want you to know, however, that while it is becoming increasingly difficult for our dairy farmers, there are still 478 farms employing hundreds of people and providing consumers in North Carolina with fresh milk every day.

I come to the floor today to voice my strong support for H.R. 1402. Option 1–A is not only vital to the survival of the dairy industry in many regions, it is also good for consumers. Economic studies show that locally produced milk is cheaper for consumers because they don't have to pay the cost of shipping milk from surplus areas. Option 1–A is also good for consumers because it ensures that milk will get quickly from the cow to the consumer; therefore, it will have a longer shelf-life.

The bottom line here is that North Carolinians want and deserve fresh milk. I, along with 230 of my colleagues, believe that the freshest milk is the milk that doesn't have to travel a thousand miles to get to our constituents. By voting against option 1–A, Members would be voting to put hundreds of more dairy farmers out of business—ensuring that milk will indeed have to be transported in year-round from farms all over the United States.

I urge you to vote in favor of option 1–A and in favor of fresh milk and the family farm.

Mr. VENTO. Mr. Chairman, I rise in vigorous opposition to H.R. 1402. This legislation threatens to keep this Nation's dairy system shrouded in an antiquated, Depression-era policy that discriminates against our Nation's dairy farmers because of the area in which they produce milk products.

Mr. Chairman, this bill should not have reached the floor today. It flies in the face of a commitment that we made in the 1996 Freedom to Farm bill that granted the Secretary of Agriculture limited authority to develop a market based policy for our Nation's dairy farmers. Since the majority failed to let this House address this issue legislatively, we left it upon the Secretary of Agriculture to replace the current 70-year-old pricing structure whose original goal was to facilitate milk production across the nation when the United States lacked the intricate transportation network and modern refrigeration technology that we possess today.

Because this Nation lacked the ability to reach all areas of the country within a day, it was necessary to guarantee dairy farmers a minimum price within 31 regions for the fluid milk they produced in order to encourage milk production in regions that otherwise would not have a regular milk supply. The minimum milk prices paid to producers' were based on the producers distance from Eau Claire, WI. This curious pricing scheme accounted for the regional inequities experienced by producers. If it ever made any sense, events and developments have long rendered this law useless for achieving equity.

This may have worked for farmers 70 years ago, but today this Byzantine dairy policy is punishing our small dairy farmers. Under current law and under this legislation, small dairy farmers who live in an area of traditionally high milk production are being put out of business because of a government requirement that other dairy farms must be paid a higher price for the same identical product based on their geographic location. I find it incomprehensible that the greatest nation on earth, the center of freedom and democracy, is maintaining such a market place disparity to farm producers, the very family farmers who are responsible for allowing us to put food on our tables.

H.R. 1302 not only forces more dairy farmers out of business, it also places the United States at a disadvantage at the upcoming World Trade Organization Ministerial meeting in which the United States hopes to achieve its trade objectives during multilateral trade negotiations. At a time when the U.S. trade deficit is at an all time high, the United States cannot afford to extend this competitive disadvantage that our farmers already experience at home to markets abroad. How can we as a nation negotiate with our trading partners for free and open markets when we persistently refuse free trade between regions within our own country? Our farmers and our Nation cannot afford to maintain this protectionist method of structuring the milk market in this progressive era of global trade. A vote for this legislation means stunting the growth and development of this nation all in the name of regionalism and money for parochial interests.

This should not be a regional issue. This should be an issue of equity. Equity for all our dairy farmers. Times are tough in the agricultural industry today, and we are only exacerbating these problems by following the creed of divide and conquer. It is my sincere hope that Members today can show a degree of fairness, look at this issue as it affects the Nation as a whole and vote against this legislation.

Mr. NUSSLE. Mr. Chairman, I rise today in strong opposition to H.R. 1402. This legislation would deny dairy farmers in my congressional district and throughout the Upper Midwest much-needed, free-market-oriented reforms and would continue to threaten their ability to do business while giving an unfair advantage to other dairy farmers throughout the country.

Rreforms of this Nation's Depression-era milk pricing regulations are long overdue. The current system, which H.R. 1402 would preserve, is based on outdated realities of milk production, consumption, and transportation, and has caused drastic distortions in milk production, as a result.

Currently, U.S. dairy policy discriminates against Upper Midwestern Dairy producers based on the region where they produce their milk. Specifically, federal pricing regulations dictate the price of fluid milk based on distance from Eau Clair, WI. In the days before modern refrigeration, interstate highway systems, and other innovations, this policy made sense. Those days are gone, and today, this policy makes about as much sense as Microsoft pricing computers based on how far an individual resides from its corporate headquarters in Redmond, WA.

The USDA's final rule makes modest steps toward pricing equity and toward a system that would allow producers to compete more fairly in the domestic marketplace. The nation's leading dairy economists, at the request of the House Agriculture Committee, conducted an analysis of USDA's pricing reforms and showed that about 60 percent of the nation's dairy producers would fare better under USDA's final rule than they would under the status quo, which would be mandated by H.R. 1402.

Additionally, H.R. 1402, if enacted, would cost consumers as much as $1 billion annually in higher milk and dairy product prices. That cost is regressive, falling most heavily on low-income consumers, who use more of their income for food and more of their food budget for dairy products. USDA estimates that the federal nutrition programs, such as WIC, Food Stamps, and the School Lunch Program will take at least a $190 million hit over 5 years under H.R. 1402, and likely more.

Further, while the United States continually encourages the World Trade Organization to open agricultural markets to increased competition, our domestic dairy policies are being attacked as anti-competitive and trade-distorting.

In summary, I believe there are numerous reasons to oppose this bill. H.R. 1402 continues a system that props up dairy farmers in some regions of the country at the financial expense of efficient dairy farmers in Iowa and the Upper Midwest in a pricing manner that does not exist for any other product in the United States. This legislation is an added burden to taxpayers and a regressive tax increase on low-income families. Finally, this legislation represents a twisted one-size-fits-all federal mandate and a pro-isolationist trade policy which could lock U.S. dairy farmers out of the world market. For all of these reasons, I oppose H.R. 1402 and I hope my colleagues will vote to allow dairy farmers to produce for the market, and not for government programs.

Mr. LARSON. Mr. Chairman, I rise today in strong support of H.R. 1402, which would require the Secretary of Agriculture to implement the new Federal Milk Marketing Order proposal known as Option 1–A.

As you know, the 1996 Farm bill mandated the Department of Agriculture to reform the Federal Milk Marketing Orders, which determine the price of most dairy products. In response, USDA issued two proposed reforms, known as option 1–A and option 1–B. During consideration of this rule, USDA heard directly from more than 200 members of this body supporting the implementation of option 1–A. Their Final Rule published on March 28, 1999, noted that the 4,217 comments received since the change was proposed, more than 3,500 of them were in support of option 1–A.

We are here today because despite clear and overwhelming support for option 1–A, USDA has chosen to move forward and implement a plan that would devastate small dairy farmers throughout the country. The proposal put forward by USDA would specifically cost dairy farmers in my district more than $360,000 per year, representing a loss of 66 cent per hundredweight on class I fluid milk and a loss of 24 cents per hundredweight on class III milk. In Connecticut, and in most of New England, our dairy farms are small family run businesses, and vital to our region's economy.

In New England, we have even banded together to form the Northeast Interstate Dairy Compact, twice approved by this body, to foster this shrinking industry and to address the unique problems of dairy production in the region. Protecting these small family businesses has also been an integral part of protecting open space and local communities' conservation and environmental reclamation programs. Many other states in the Mid-Atlantic, Southeast, and Southwest have followed New England's lead and begun ratifying their own compacts. If USDA moves forward and implements option 1–B, few if any of these dairy producers would survive.

I have heard repeatedly from other members and the USDA that there was overwhelming support among dairy producers for their reform proposal in their recently conducted referendum. But I have also heard from the dairy community that they felt cornered into that vote, forced to support the Federal Order system at the risk of termination rather than the proposed change.

So I rise in support of this bill, to protect small American farmers, and in support of the Stenholm/Pombo amendment, which would clarify language about forward contracting for dairy producers. I urge my colleagues to support this bill, and oppose any poison pill amendments that may be offered as attempts to prevent fair and meaningful dairy reform.

Mr. SENSENBRENNER. Mr. Chairman, I rise in opposition to H.R. 1402. Frankly, I find it ridiculous that we are even discussing this bill here today. We all know that free markets are far preferable to out-dated government price control schemes, yet we are discussing a bill to block even modest market-oriented dairy policy reforms.

The free market has served American producers and consumers exceptionally well. Car prices are not determined according to the distance that they are manufactured from Detroit, software prices are not set by the distance that they are produced from Silicon Valley, and orange prices are not established according to the distance from Florida to where they are grown. Instead, the free market is allowed to determine the prices for these products. Not coincidentally, these industries are thriving. Conversely, milk prices are determined by the distance of the producer from Eau Claire, Wisconsin, and small dairy farmers across the country are struggling to survive. It should be clear that the free market provides the best system for determining prices in America, no matter the product.

The Department of Agriculture's milk marketing order reforms, though certainly less market-based than I had hoped, represent a common-sense step toward simplifying the pricing of milk. Dairy farmers across the country voted in support of this reform by 97 percent. Ignoring this vote, H.R. 1402 would essentially maintain the status quo in milk pricing and force dairy farmers to continue to struggle under the current antiquated government restraints. For the sake of farmers and consumers, I urge you to oppose H.R. 1402 and support market-oriented dairy reforms.

Mr. BALLENGER. Mr. Chairman, today we will have the unique opportunity to cast a vote which will save the family dairy farmer, while ensuring that Americans continue to enjoy the highest possible quality of milk. H.R. 1402, which would require the Secretary of Agriculture to implement the Class I milk price structure known as Option 1–A, will ensure that tens of thousands of American family dairy farms are not put out of business. Option 1–A does this by extending for one year the dairy price support program, as well as maintaining current minimum prices for fluid-use farm milk. H.R. 1402 will enable the American family dairy farmer to survive and hopefully prosper in the years ahead.

While most industry in the United States continues to ride the wave of the largest economic boom in history, in my district, many family dairy farmers have been forced to give up their 4th and 5th generation farms. This is deplorable. Without the enactment of this legislation, more will go out of business—and for what reason—so all the milk produced in this nation will be produced by large Midwestern dairies. Fewer producers will mean less competition and higher prices. Don't believe the numbers that are being circulated by our upper Midwestern colleagues—Option 1–B will cost consumers in quality and price down the road.

Let me give you some numbers which point to the huge significance of this legislation for my state. Last year in North Carolina, the dairy industry generated an estimated $572 million in economic activity. North Carolina has 10 Grade A milk processing plants. The total milk produced in the state last year amounted to 146 million gallons. As of July 1, 1998, there were 478 commercial dairy farms in the state. Cash receipts for the sale of milk by dairy farmers amounted to $187 million. Last year, there were 75,000 milk cows in the state, each producing an average of 1,947 gallons of milk. And Iredell county, which is part of my congressional district, has 71 farms which produced almost 5 million gallons of milk in the month of December last year, making it far and away the largest milk producing county in the state.

Without H.R. 1402, the economy of North Carolina faces a loss of over half a billion dollars in economic activity, a loss of almost 500 dairy farms, and the devastation of commercial and family farming. Don't vote to devastate the livelihoods of these farmers by opposing H.R. 1402. Please support H.R. 1402 to ensure more low cost, high quality milk production in North Carolina and in the United States.

Mr. MCGOVERN. Mr. Chairman, I rise today in support of H.R. 1402—a bill which requires the Secretary of Agriculture to implement the Class I milk price structure. This price structure, known as Option 1–A, is important to dairy farmers in Massachusetts, and I am proud to cosponsor this legislation. While the volume of dairy production in Massachusetts does not come close to equaling the production of some of the Midwestern states, dairy is an important industry in my state and district, and I fully support this effort to provide a stable pricing structure for this volatile industry.

The U.S. Department of Agriculture will soon issue a final Class I milk price structure. The USDA proposed price structure, Option 1–B, will cost dairy farmers at least $200 million annually, placing an even greater burden on an industry that is already reeling from drought. H.R. 1402 would keep the Class 1 differentials at levels similar to those today. These levels were established to assure an adequate supply of milk for fluid use and guarantee a minimum price for producers based on supply and demand conditions. Despite overwhelming support from dairy producers and the Members of Congress who represent these farmers, USDA has continued with its planned implementation of Option 1–B. This bill will ensure that our dairy producers are not forced into bankruptcy because of a flawed price structure dictated by the large farms in Midwestern America.

At this point, I would like to insert into the record a letter from Massachusetts State Representative Michael J. Rodrigues, who represents the Fall River/Westport region. This letter documents the importance of the Option 1–A pricing structure to the dairy producers in Massachusetts.

Mr. Chairman, this bill is important not only to dairy farmers in Massachusetts, but also to those throughout the Northeast and Southeast. Without the stability of this pricing structure, dairy production in these areas will decline until the business is unprofitable and ceases to exist except on large dairy farms in the Midwest. H.R. 1402 will help prevent these closures by setting a minimum price for milk for these regions. This bill gives dairy farmers a chance to succeed and prosper. I urge my colleagues to support H.R. 1402 and vote for this important bill.

COMMONWEALTH OF MASSACHUSETTS,
HOUSE OF REPRESENTATIVES,
Boston, MA, September 20, 1999.

Congressman JAMES MCGOVERN,
Cannon Building,
Washington, DC.

DEAR CONGRESSMAN MCGOVERN: The dairy industry is moving through a period of great change. The 1996 FAIR Act has been the key impetus to this change and is the result of fundamental changes in the agricultural sector of the economy. A significant part of these changes is the greater volatility in milk prices farmers receive.

Volatility in prices creates difficulties not only for dairy farmers but also for those who purchase milk for manufacturing product. From a business perspective, price volatility presents difficulties in financial planning. If a farmer or a company cannot depend on a stable price, financial planning becomes much more difficult.

Often not considered in the debate is the impact on manufacturers of dairy products such as ice cream, cheese, and butter. Massachusetts has a considerable amount of dairy product manufactures. For example, Massachusetts consistently ranks second or third in the country in the manufacture of ice cream. Part of the reason for this high ranking is a stable milk supply, which is the result of stable milk prices to dairy farmers. Of course, the other reason is that Baystaters enjoy a good bowl of high quality ice cream.

With one of the highest costs of production in the country, Massachusetts dairy farmers, and indeed, Northeastern dairy farmers, face an uncertain future. The Northeast Dairy Compact has offered that safety net which, for many farmers, is the make-or-break factor in whether or not to sell out to developers. If the Northeast Dairy Compact is not reauthorized, many Massachusetts dairy farmers will likely sell out. As the local supply of milk declines, dairy product manufactures will likely move to areas of more available milk supplies and with this move, jobs will move as well.

Your support of the Northeastern Dairy Compact is critical to the viability of the dairy product manufacturing industry not to mention the vitality of the dairy farmers in Massachusetts, who work so hard not only to produce milk, but also to maintain the open space and aesthetic qualities that are so important to the character of Massachusetts as a New England state.

Sincerely,

MICHAEL J. RODRIGUES,
State Representative.

Mr. CRANE. Mr. Chairman, having spent quite some time on a farm in my earlier years, I can certainly understand the concerns of those who are advocating enactment of H.R. 1402. With all the risks and uncertainties agricultural producers face on a regular and not-so-regular basis, it is hardly surprising that dairy farmers would rather not add another unknown quantity to the list of things with which they must concern themselves. Also, there is a natural tendency to fear the unknown simply because it is unfamiliar.

But while it may be tempting to think that the devil you know is preferable to one that you don't, there is a problem with that line of reasoning in this instance. Should it prevail today, members of this body may have a devilishly difficult time explaining, much less justifying, it in the future. That being the case, I would urge my colleagues to consider some facts and figures before they cast their vote on H.R. 1402.

Most obvious, not to mention significant, is the fact that our current system of milk marketing orders and price differentials is over 60 years old, a relic born long before the interstate highway system came into being or refrigeration trucks made their presence felt. Back then, the argument went as follows: for America's children to be able to drink wholesome fresh milk every day, dairy farmers had to be in business nearby. But now the circumstances are entirely different. Not only can milk be shipped safely over long distances but, in many cases, it can be obtained from out-of-state more cheaply than from neighboring sources. As a consequence, what once may have benefited youngsters now adds to the price their parents pay for their milk.

Estimates of the cost of the present milk pricing system to consumers start at $674 million per year, with several approaching or even exceeding $1 billion annually. Not only that, but if milk price supports are extended for another year, as H.R. 1402 now provides, and the existing milk pricing system is essentially retained, America's taxpayers will be adversely affected as well. Because those provisions of H.R. 1402 will keep the price of milk consumed by participants in this nation's food stamp, child nutrition and supplemental feeding programs, they will not realize approximately $53 million a year in savings that should result from implementation of the USDA's Final Rule on milk marketing orders and price differentials. Also, there is evidence that dairy farmers themselves would not benefit as much as they might expect if H.R. 1402 becomes law. According to a recent estimate extrapolated from data developed by the University of Iowa's Farm and Agricultural Policy Research Institute (FAPRI), 59% of America's dairy farmers would fare better if the USDA's Final Rule takes effect.

That last figure, in particular, is a telling statistic. But it is by no means the only reason it would be best to reject H.R. 1402 for the sake of America's dairy farmers. Even more compelling, to my way of thinking, is the potentially negative impact enactment of H.R. 1402 could have on the prospects for enhancing the export of American agricultural products in the years ahead.

As I need hardly remind my colleagues, this nation's agricultural producers have been disproportionately disadvantaged by foreign trade barriers for many years now. That being the case, a key objective in the next round of trade negotiations is to achieve greater market access for all United States exports of agricultural commodities and value-added foods. But how successful can we be in achieving that objective if we are perceived to be asking other nations to do things we are unwilling to do ourselves?

Let me be a bit more specific. From my vantage point as chairman of the Trade Subcommittee of the House Ways and Means Committee, it appears that the provisions of H.R. 1402 run directly counter to the negotiating objectives of the United States in those upcoming trade talks which get underway in Seattle on November 30th of this year. Instead of telling our would-be trading partners that we practice what we preach, those provisions would give them ammunition they could use to resist opening their markets to our exports. In the past, countries with the most troublesome trade barriers have tried to shield their unfair trade practices by continuing to define them as being within the ''blue box'' category of export subsidies that are beyond the reach of multilateral disciplines. If we insist on maintaining market distorting pricing mechanisms and commodity subsidies of our own, as H.R. 1402 would do, those countries will see little reason—and have no incentive—to change their position. The result: markets for American agricultural products will not open up as we would like, the promise of the 1996 Freedom to Farm Act will not materialize as we have hoped, and American farmers will not be as well off as they have expected.

Mr. Chairman and colleagues, I trust we will not make that mistake. For the sake of the consumer, the taxpayer and, yes, the dairy farmer himself or herself, I hope we will not go down the antiquated, out-of-date, inconsistent with the free market path that H.R. 1402 would take us. Rather than cling to a past that was not all that kind to dairy farmers anyway, let us look to the future and to the prospect of larger, more efficient markets, not just for dairy products, but for all the exportable agricultural goods produced in this country.

We have the land, the skill, the experience and the technology to feed not just ourselves, but people all over the world at prices, few, if any others, can match. Indeed, we are truly blessed and it would be a shame if we did not count our blessings and put them to the best possible use, not exclusively to serve the interests of agricultural producers, but also to benefit those who process, distribute, sell, prepare and/or consume all kinds of agricultural commodities.

Mr. Chairman, I urge my colleagues to vote ''no'' on H.R. 1402 so that the USDA's Final Rule on milk marketing orders can take effect on October 1st of this year. That Rule may not be perfect, but compared to status quo alternative contemplated by H.R. 1402, it is a significant step in the right direction.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the committee amendment in the nature of a substitute printed in the bill, modified by the amendments printed in Part A of House Report 106–324, is considered as an original bill for the purpose of amendment and is considered read.

The text of the committee amendment in the nature of a substitute, as modified, is as follows:

H.R. 1402

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REQUIRED USE OF OPTION 1A AS PRICE STRUCTURE FOR CLASS I MILK UNDER CONSOLIDATED FEDERAL MILK MARKETING ORDERS.

(a) USE OF OPTION 1A.—In implementing the final decision for the consolidation and reform of Federal milk marketing orders, as required by section 143 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7253), the Secretary of Agriculture shall price fluid or Class I milk under the orders using the Class I price differentials identified as Option 1A ''Location-Specific Differentials Analysis'' in the proposed rule published in the Federal Register on January 30, 1998 (63 Fed. Reg. 4802, 4809), except that the Secretary shall include the corrections and modifications to such Class I differentials made by the Secretary through April 2, 1999.

(b) EFFECT ON IMPLEMENTATION SCHEDULE.—The requirement to use Option 1A in subsection (a) does not modify or delay the time period for actual implementation of the final decision as part of Federal milk marketing orders specified in section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (as contained in section 101(a) of division A of Public Law 105–277; 112 Stat. 2681–30).

(c) IMPLEMENTATION OF REQUIREMENT.—

(1) EXPEDITED IMPLEMENTATION.—The Secretary of Agriculture shall comply with subsection (a) as soon as practicable after the date of the enactment of this Act. The requirement to use the Option 1A described in such subsection shall not be subject to—

(A) the notice and hearing requirements of section 8c(3) of the Agricultural Adjustment Act (7 U.S.C. 608c(3)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, or the notice and comment provisions of section 553 of title 5, United States Code;

(B) a referendum conducted by the Secretary of Agriculture pursuant to subsections (17) or (19) of such section 8c;

(C) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804), relating to notices of proposed rulemaking and public participation in rulemaking; and

(D) chapter 35 of title 44, United States Code (commonly known as the ''Paperwork Reduction Act'').

(2) EFFECT ON MINIMUM MILK PRICES.—If the Secretary of Agriculture announces minimum prices for milk under Federal milk marketing orders pu4rsuant to section 1000.50 of title 7, Code of Federal Regulations, before the date on which the Secretary first complies with subsection (a), the minimum prices so announced before that date shall be the only applicable minimum prices under Federal milk marketing orders for the months for which the prices have been announced.

SEC. 2. NECESSITY OF USING FORMAL RULEMAKING TO DEVELOP PRICING METHODS FOR CLASS III AND CLASS IV MILK; MODIFIED MANUFACTURING ALLOWANCE FOR CHEESE.

(a) CONGRESSIONAL FINDING.—The Class III and Class IV pricing formulas included in the final decision for the consolidation and reform of Federal milk marketing orders, as published in the Federal Register on April 2, 1999 (64 Fed. Reg. 16025), do not adequately reflect public comment on the original proposed rule published

in the Federal Register on January 30, 1998 (63 Fed. Reg. 4802), and are sufficiently different from the proposed rule and any comments submitted with regard to the proposed rule that further emergency rulemaking is merited.

(b) FORMAL RULEMAKING.—

(1) REQUIRED.—The Secretary of Agriculture shall conduct rulemaking, on the record after an opportunity for an agency hearing, to reconsider the Class III and Class IV pricing formulas included in the final decision referred to in subsection (a).

(2) IMPLEMENTATION.—A final decision on the formula shall be implemented not later than 10 months after the date of the enactment of this Act.

(3) EFFECT OF COURT ORDER.—The actions authorized by this subsection are intended to ensure the timely publication and implementation of new pricing formulas for Class III and Class IV milk. In the event that the Secretary is enjoined or otherwise restrained by a court order from implementing the final decision under paragraph (2), the length of time for which that injunction or other restraining order is effective shall be added to the time limitations specified in paragraph (2) thereby extending those time limitations by a period of time equal to the period of time for which the injunction or other restraining order is effective.

(c) FAILURE TO TIMELY COMPLETE RULEMAKING.—If the Secretary of Agriculture fails to implement new Class III and Class IV pricing formulas within the time period required under subsection (b)(2) (plus any additional period provided under subsection (b)(3)), the Secretary may not assess or collect assessments from milk producers or handlers under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, for marketing order administration and services provided under such section after the end of that period until the pricing formulas are implemented. The Secretary may not reduce the level of services provided under that section on account of the prohibition against assessments, but shall rather cover the cost of marketing order administration and services through funds available for the Agricultural Marketing Service of the Department.

(d) EFFECT ON IMPLEMENTATION SCHEDULE.—Subject to subsection (e), the requirement for additional rulemaking in subsection (b) does not modify or delay the time period for actual implementation of the final decision referred to in subsection (a) as part of Federal milk marketing orders, as such time period is specified in section 738 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (as contained in section 101(a) of division A of Public Law 105–277; 112 Stat. 2681–30).

(e) MODIFIED MANUFACTURING ALLOWANCE FOR CHEESE.—

(1) MODIFICATION OF ALLOWANCE.—Pending the implementation of new pricing formulas for Class III and Class IV milk as required by subsection (b), the Secretary of Agriculture shall modify the formula used for determining Class III prices, as contained in the final decision referred to in subsection (a), to replace the manufacturing allowance of 17.02 cents per pound of cheese each place it appears in that formula with an amount equal to 14.7 cents per pound of cheese.

(2) EXPEDITED IMPLEMENTATION.—The Secretary of Agriculture shall implement the modified formula as soon as practicable after the date of the enactment of this Act. Implementation and use of the modified formula shall not be subject to—

(A) the notice and hearing requirements of section 8c(3) of the Agricultural Adjustment Act (7 U.S.C. 608c(3)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, or the notice and comment provisions of section 553 of title 5, United States Code;

(B) a referendum conducted by the Secretary of Agriculture pursuant to subsections (17) or (19) of such section 8c;

(C) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804), relating to notices of proposed rulemaking and public participation in rulemaking; and

(D) chapter 35 of title 44, United States Code (commonly known as the ''Paperwork Reduction Act'').

(3) EFFECT ON MINIMUM MILK PRICES.—If the Secretary of Agriculture announces minimum prices for milk under Federal milk marketing orders pursuant to section 1000.50 of title 7, Code of Federal Regulations, before the date on which the Secretary first implements the modified formula, the minimum prices so announced before that date shall be the only applicable minimum prices under Federal milk marketing orders for the months for which the prices have been announced.

SEC. 3. ONE-YEAR EXTENSION OF CURRENT MILK PRICE SUPPORT PROGRAM.

(a) EXTENSION OF PROGRAM.—Subsection (h) of section 141 of the Agricultural Market Transition Act (7 U.S.C. 7251) is amended by striking ''1999'' both places it appears and inserting ''2000''.

(b) CONTINUATION OF CURRENT PRICE SUPPORT RATE.—Subsection (b)(4) of such section is amended by striking ''year 1999'' and inserting ''years 1999 and 2000''.

(c) ELIMINATION OF RECOURSE LOAN PROGRAM FOR PROCESSORS..—Section 142 of the Agricultural Market Transition Act (7 U.S.C. 7252) is repealed.

SEC. 4. DAIRY FORWARD PRICING PROGRAM.

The Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following new section:

''SEC. 23. DAIRY FORWARD PRICING PROGRAM.

''(a) IN GENERAL.—Not later than 90 days after the date of enactment of this section, the Secretary of Agriculture shall establish a program under which milk producers and cooperatives are authorized to voluntarily enter into forward price contracts with milk handlers.

''(b) MINIMUM MILK PRICE REQUIREMENTS.—Payments made by milk handlers to milk producers and cooperatives, and prices received by milk producers and cooperatives, under the forward contracts shall be deemed to satisfy all regulated minimum milk price requirements of paragraphs (A), (B), (C), (D), (F), and (J) of subsection (5), and subsections (7)(B) and (18), of section 8c.

''(c) APPLICATION.—This section shall apply only with respect to the marketing of federally regulated milk (regardless of its use) that is in the current of interstate or foreign commerce or that directly burdens, obstructs, or affects interstate or foreign commerce in federally regulated milk.''.

The CHAIRMAN. No amendment to that amendment shall be in order except those printed in Part B of that report. Each amendment may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered read, debatable for the time specified in the report, equally divided and controlled by a proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

The Chairman of the Committee of the Whole may postpone a request for a recorded vote on any amendment and may reduce to a minimum of 5 minutes the time for voting on any postponed question that immediately follows another vote, provided that the time for voting on the first question shall be a minimum of 15 minutes.

It is now in order to consider Amendment No. 1 printed in Part B of House Report 106–324.

AMENDMENT NO. 1 OFFERED BY MR. GREEN OF WISCONSIN

Mr. GREEN of Wisconsin. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Part B Amendment No. 1 offered by Mr. GREEN of Wisconsin:

Page 3, beginning line 3, strike section 1 and insert the following new section:

SECTION 1. REQUIREMENTS APPLICABLE TO REFERENDA REGARDING FEDERAL MILK MARKETING ORDERS.

(a) NATIONAL BASIS OF REFERENDUM.—Section 8c(19) of the Agricultural Adjustment Act (7 U.S.C. 608c(19)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following new sentence: ''In the case of the issuance or amendment of an order relating to milk or its products, the referendum required by this subsection shall be conducted on a nationwide basis among all milk producers operating in areas covered by Federal milk marketing orders and the results of the referendum shall be tallied on a nationwide basis.''.

(b) TERMINATION OF BLOC VOTING.—Section 8c(12) of the Agricultural Adjustment Act (7 U.S.C. 608c(12)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following new sentence: ''In the case of a referendum relating to milk or its products, a cooperative association of producers may not vote in the referendum on behalf of milk producers who are members of, stockholders in, or under contract with, such cooperative association of producers.''.

(c) APPLICATION OF AMENDMENTS.—The amendments made by subsections (a) and (b) shall apply with respect to the referendum required by subsection (d) and any other referendum relating to milk or its products commenced under section 8c(19) of the Agricultural Adjustment Act (7 U.S.C. 608c(19)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, on or after the date of the enactment of this Act.

(d) REFERENDUM ON USE OF OPTION 1A OR OPTION 1B.—

(1) REFERENDUM REQUIRED.—As soon as practicable after the date of the enactment of this Act, the Secretary of Agriculture shall conduct a referendum among dairy producers whose operations are located within areas covered by Federal milk marketing orders to determine whether producers would prefer that the Secretary price fluid or Class I milk under the orders using the Class I price differentials identified as Option 1A or Option 1B in the proposed rule published in the Federal Register on January 30, 1998 (63 Fed. Reg. 4802, 4809), including such corrections and modifications to such options made by the Secretary through April 2, 1999.

(2) IMPLEMENTATION OF RESULTS.—The Secretary shall implement the favored option in the referendum as part of each Federal milk marketing order (other than any order covering the State of California).

The CHAIRMAN. Pursuant to House Resolution 294, the gentleman from Wisconsin (Mr. GREEN) and the gentleman from Texas (Mr. STENHOLM) each will control 10 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. GREEN).

Mr. GREEN of Wisconsin. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, one of the problems with the debate that we are going to have today is that, as my colleagues may have already heard, we are going to be dealing with a very complex, very difficult subject, milk marketing orders. A lot of terms and a lot of images are going to be tossed around, and a lot of Members and a lot of interest groups are going to be arguing that they know what is in the best interest of a family dairy farm.

This amendment, the amendment that I offer today, will ensure that, whatever we do today, it is supported by the dairy farmers themselves, not co-ops, not manufacturers, not associations, not Members of Congress, not inside-the-beltway interests, but the dairy farmers themselves.

As we will also hear reference to today, back in August, dairy producers all across America were asked to vote up or down on the modest, very modest reform plan offered by Secretary Glickman. Overwhelming results: over 95 percent of the dairy producers today and over 90 percent in each region of the Nation said that they favor the Glickman reform.

So why are we here? I would argue that farmers have spoken loud and clear. They want reform. Well, my colleagues, we are here because the large co-ops and some regional money interests do not like the results, and they seek today to overturn those results and overturn what the farmers I believe really want.

Now, to cover themselves they offer a weak excuse. They say that the vote that they cast in August was not a true vote and it was not a true vote because they did not have a choice between 1–A and 1–B. Instead, it was up or down on the Glickman reform, it was either the Glickman reform or termination of milk marketing orders.

Well, where have they been for the last 6 decades? That has been the system in place since 1937. Those of us who oppose 1402 did not create it. These are not our rules. These are the rules that we have had to play by for 60 years. The votes have always been cast in such a fashion.

But today we have an opportunity through this amendment to take the anti-reformers at their word. This amendment that I offer creates democracy. It asks dairy farmers their opinion. It turns to them for votes.

This amendment says that before this all-seeing, all-wise Congress overturns the result of the August referendum and reimposes its Soviet-style dairy system, we must have a real vote of dairy farmers.

What a radical idea, no taxation without representation.

Secondly, this amendment turns the vote over to dairy farmers themselves, all the dairy farmers covered by milk marketing orders. Instead of having an order-by-order vote, which is patchwork voting, this amendment recognizes that all dairy farmers, and we are going to hear this over and over again, all dairy farmers, all consumers have an interest, have a national stake in what we do today.

Third, this terminates block voting. A dirty secret in this process is that farmers actually do not have the vote. Instead, co-ops do. Co-ops have the right to vote their members. Just like feudal lords had the right for centuries to vote their tenants, husbands had the right to vote for their wives, co-ops have the right to vote for their member farmers. Lord forbid that our dairy farmers get to express their own opinion.

Fourth, this amendment does precisely what the supporters of 1402 say they want, a true choice, a true vote. We allow dairy farmers, under this amendment, to choose either 1–A or 1–B.

We have heard a lot of rhetoric about dairy farmers not getting a real vote in August. Today, with this amendment, we have the opportunity to give them a real vote, a real choice.

I do not rely on the Members out here, the 229 Members inside the Beltway, to make these choices. I put my faith in dairy farmers. I ask my colleagues to support this.

Mr. Chairman, I reserve the balance of my time.

Mr. STENHOLM. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, we have heard some statements made that are not very factual. To suggest that dairy farmers have not already voted on this because their cooperatives have expressed themselves totally ignores two main facts. One, of all of the milk produced in the United States, 82 percent of it is produced by farmers who belong to cooperatives.

It is very true that there are a few cooperatives that differ with this legislation, and they happen to be mostly from one region of the country; and I understand that. I hate to hear people continue to suggest that we are maintaining Soviet-style legislation because that is not true either under 1–A or 1–B, which is the argument today. That is not a true statement.

Is it a Government program? Absolutely. Has it worked perfectly? Absolutely not. But it is the overwhelming consensus of opinion by those who commented on this some 4,217 dairy farmers and their organizations, 3,579 supported 1402.

Mr. GREEN of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin (Mr. RYAN) who has had a major effect in this debate, and been a major force.

Mr. RYAN of Wisconsin. Mr. Chairman, it really comes down to this: proponents of H.R. 1402 are saying that the vote that happened in August was a cooked vote, that it was not an honest vote, that they did not get all the choices to vote on what they wanted.

Well, that is what we are trying to give. Let us be very clear about what 1402 does with the latest self-executing amendment. It denies the farmer any choice as to their fate. It says that H.R. 1402, the status quo, will be crammed down their throat with no say-so, no plebiscite, no choice from the farmer.

What this amendment simply does is it lets every individual farmer, not the co-ops, not the processors, not the big businesses, the farmers get to choose do they want it.

Well, the vote that took place in August was one that passed with overwhelming majority. It was a choice between the USDA's rule and Option 1–B. I understand the proponents of 1402 disregard this vote, so we are coming to them with another vote.

If 1402 is what my colleagues think all the farmers in this country want, then they should not be afraid of letting them decide themselves whether they want it. Let us move this debate beyond the Beltway, beyond the co-ops and go directly to the people.

Mr. STENHOLM. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I believe the gentleman from Wisconsin (Mr. RYAN) unintentionally misspoke concerning the vote that occurred. The farmers had a choice of the Secretary's proposal of 1–B or nothing was the choice that was voted on.

Mr. Chairman, I yield to the gentleman.

Mr. RYAN of Wisconsin. Mr. Chairman, yes. I apologize. I thought that is what I had said.

The point is it is understandable that the proponents of H.R. 1402 disregard the vote that just took place by the farmers in August. So what we are simply saying is, okay, let us have a real vote; let us have a vote with the dairy farmers to choose whether or not they want 1402 before it is implemented, before it is passed down on to the farmers with no say-so.

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Mr. STENHOLM. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. SWEENEY).

Mr. SWEENEY. Mr. Chairman, I thank the gentleman for yielding this time to me.

Mr. Chairman, as my colleagues know, I find the arguments of the sponsors of this amendment to be a little suspect. These gentleman, I believe, have every good intention, but they will also speak today on behalf of the Boehner amendment, an amendment which the dairy farmers have voted on. The dairy farmers overwhelmingly, 90 percent of them, in August rejected that proposal which would gut the milk marketing order; so, I am very skeptical of their position on this.

But let me say this: At a time when we should be empowering farmers to work together through cooperatives to get better prices, this amendment directly undercuts cooperative bargaining. This amendment would implement Option 1–B while another referendum is conducted by the Department of Agriculture.

Farmers join cooperatives to increase the size and effectiveness of their voice, and block voting on the part of cooperatives is representative democracy at its best. In a time of agricultural crisis, we should not be advocating ways to limit the ability of cooperatives to speak for its members, whether it be in the marketplace or in the regulatory impacts. This amendment would be a bad precedent, and I urge a ''no'' vote on Green-Ryan.

Mr. GREEN of Wisconsin. Mr. Chairman, I yield myself as much time as I may consume.

Mr. Chairman, this amendment seeks to pull the mask off the antireformers, and we are hearing a bit of that in the rhetoric of my colleague from New York. Either my colleagues respect the overwhelming vote of dairy farmers in August, those that we all say we are here to serve, or they should change that voting system to get the real voice of dairy farmers. This amendment seeks to do that. It seeks to give us what many of us here are calling for, a real choice.

As my colleagues know, so many of us here pay lip service to the family farm. We say we want to save it, we want to save Americana, we want to protect the family farm as a part of our economy and our culture; and yet apparently, we do not trust those same family farmers we say we want to protect. We do not trust them to have a voice. Instead we take the voice away from them.

One wonders if perhaps those who do not support this amendment are afraid of what they might hear. They are afraid of what the farmers may tell them.

This is the moment of truth, this amendment: Who lines up for dairy farmers and who lines up for others, for special interests? Who really wants to hear from dairy farmers and give them the opportunity to decide what is best for them, and who believes that they know better?

Mr. Chairman, I reserve the balance of my time.

Mr. STENHOLM. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, let me attempt to make it as clear as we possibly can what that vote was in August, approved by from 90 percent to 100 percent of those who were voting in various referenda. Dairy farmers voted to impose upon themselves the Federal market order system. That was the vote, because if they had voted no, they would have joined with those who will later today and in some of the rhetoric already today are suggesting that dairy farmers do not want a Federal milk marketing order system.

What most of this discussion is about is whether we have 1–A or 1–B, and I readily admit that the intricacies and the complexity of dairy market order makes for great fun on the floor of the House, but it does work for the purpose of which it was intended and that is to provide a stabilizing force for dairy products all over the United States.

Now the issue of whether to have another vote, I hope we will not forget for a moment somebody will have to pay for that and that the people that will pay for that will again be dairy farmers through the system of which we will be asking to vote. Under normal circumstances, I would be in favor of that; but we have already voted. This is an amendment by those who oppose 1402, attempting to muddy the waters somewhat in a very sincere way, and I would just say to my colleagues:

I hope that they will oppose this amendment, it is well-intended, it is unnecessary, it is costly, and it is being slightly misrepresented by those who advocate it from the standpoint of that vote in August because dairy farmers were confronted there with a vote of approving 1–B and the recommendation of USDA or having no Federal order in their region. Given that choice, they voted for the Federal order and support us in our endeavor to pass 1402 today.

Mr. GREEN of Wisconsin. Mr. Chairman, I yield myself such time as I may consume.

I find it interesting that my esteemed colleague is against this amendment because holding a referendum of dairy farmers would prove costly, and yet my colleague and the supporters of 1402 seek to overturn a referendum we have already paid for. Apparently that one was not so costly; it was worth throwing away to them. My colleagues cannot have it both ways. Either we are going to turn to our dairy farmers or we are not. Either we are going to respect the results of a referendum or we are going to change the referendum to get a true vote.

Remember this: 1402 not only reverses the results of the August referendum, but it would take away the right to vote by dairy farmers before this change takes place.

Dairy farmers have had the right to vote on the Federal order system since 1937. We are taking the step, those who support 1402 and vote against this amendment, they are taking the step for the first time in 62 years imposing a system without giving dairy farmers the right to vote. I think that is outrageous.

Wherever one stands on 1402, wherever one stands on 1–A, 1–B, Glickman reform, to take away the right to vote before we do so is wrong. It is antifarmer, it is anti-family farmer, it is a slap in the face of family farms all across this Nation, those who would benefit and those who would be hurt by 1402.

Mr. Chairman, I reserve the balance of my time.

Mr. STENHOLM. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. POMBO), the chairman of the Subcommittee on Livestock and Horticulture.

Mr. POMBO. Mr. Chairman, I thank the gentleman for yielding this time to me. I rise in opposition to the amendment. Even though I agree with many of the arguments of my colleague from Wisconsin (Mr. GREEN) makes, his amendment is not all that simple. There are many major changes that are made in the system by this particular amendment that I do not agree should be done by an amendment on the House floor without the full knowledge and without the hearing process, without everything that it takes to rewrite dairy policy.

This has been a very difficult bill to get through because it does make major changes and has been very hard because there are so many different ideas region to region across the country. One of the most difficult things in all this is to hear from people, to get the members educated on that so they understand what they are voting on. This particular amendment makes major changes in dairy policy in a so-called simple amendment that is being added onto this bill. Because of that, I rise in opposition to this amendment.

Mr. STENHOLM. Mr. Chairman, I yield 1 minute to the gentleman from Texas (Mr. COMBEST), chairman of the full House Committee on Agriculture.

Mr. COMBEST. Mr. Chairman, I understand very much the gentleman's concerns about the dairy policy, the proponents of this amendment, and I would say that the committee, now the full House, is considering basically whether to implement 1–A or not. I believe we know where our constituents stand on this issue, I believe we know how they have spoken with us. I do not believe it is necessary to implement what we believe is a strong majority of the House by holding another referendum. Either Members support 1–A or they do not. It is not necessary to go through some bureaucratic procedure in order to get to the end point.

So, Mr. Chairman, I would oppose the amendment.

Mr. STENHOLM. Mr. Chairman, I yield myself such time as I may consume.

I would urge our colleagues to strongly oppose this amendment. Listen to the chairman of the full committee, the chairman of the subcommittee, me as the ranking member of the committee. The committee has acted on this. We recommend very strongly 1402, an overwhelming vote, not a unanimous vote. So I would urge the opposition to this amendment.

Mr. Chairman, I yield back the balance of our time.

The CHAIRMAN. All time has expired.

The question is on the amendment offered by the gentleman from Wisconsin (Mr. GREEN).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. GREEN of Wisconsin. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN. Pursuant to House Resolution 294, further proceedings on the amendment offered by the gentleman from Wisconsin (Mr. GREEN) will be postponed.

It is now in order to consider amendment No. 2 printed in part B of House Report 106–324.

AMENDMENT NO. 2 OFFERED BY MR. STENHOLM

Mr. STENHOLM. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Part B Amendment No. 2 offered by Mr. STENHOLM:

Page 7, strike line 19 and all that follows through line 10 on page 8, and insert the following:

''SEC. 23. DAIRY FORWARD PRICING PILOT PROGRAM.

''(a) PILOT PROGRAM REQUIRED.—Not later than 90 days after the date of enactment of this section, the Secretary of Agriculture shall establish a temporary pilot program under which milk producers and cooperatives are authorized to voluntarily enter into forward price contracts with milk handlers.

''(b) MINIMUM MILK PRICE REQUIREMENTS.—Payments made by milk handlers to milk producers and cooperatives, and prices received by milk producers and cooperatives, under the forward contracts shall be deemed to satisfy—

''(1) all regulated minimum milk price requirements of paragraphs (B) and (F) of subsection (5) of section 8c; and

''(2) the requirement of paragraph (C) of such subsection regarding total payments by each handler.

''(c) MILK COVERED BY PILOT PROGRAM.—The pilot program shall apply only with respect to the marketing of federally regulated milk that—

''(1) is not classified as Class I milk or otherwise intended for fluid use; and

''(2) is in the current of interstate or foreign commerce or directly burdens, obstructs, or affects interstate or foreign commerce in federally regulated milk.

''(d) DURATION.—The authority of the Secretary of Agriculture to carry out the pilot program shall terminate on December 31, 2004. No forward price contract entered into under the program may extend beyond that date.

''(e) STUDY AND REPORT ON EFFECT OF PILOT PROGRAM.—

''(1) STUDY.—The Secretary of Agriculture shall conduct a study on forward contracting between milk producers and cooperatives and milk handlers to determine the impact on milk prices paid to producers in the United States. To obtain information for the study, the Secretary may use the authorities available to the Secretary under section 8d, subject to the confidentiality requirements of subsection (2) of such section.

''(2) REPORT.—Not later than April 30, 2002, the Secretary shall submit to the Committee on Agriculture, Nutrition and Forestry of the Senate and the Committee on Agriculture of the House of Representatives a report containing the results of the study.''.

The CHAIRMAN. Pursuant to House Resolution 294, the gentleman from Texas (Mr. STENHOLM) and a Member opposed each will control 20 minutes.

The Chair recognizes the gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Chairman, I ask unanimous consent that the gentleman from California (Mr. POMBO) be permitted to control 10 minutes of the time in support of the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. STENHOLM. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, the amendment Mr. POMBO and I offer today represents a step into forward contracting for dairy industry producers and handlers. At the outset, I want to point out to my colleagues that if the Pombo-Stenholm amendment is not adopted, then forward pricing will not likely come soon to the dairy industry. The committee's bill provision allows for a wide experiment where a more modest effort is justified. With the modifications we offer producer acceptance for the program can be secured. If the Pombo-Stenholm modifications are not adopted, producers will abandon forward pricing, and there will be no program.

Mr. Chairman, by failing to make special account of the coordination challenges, the provisions reported by the Committee on Agriculture fails to fully take account of the milk marketing order system and the need of dairy producers to rely on cooperative effort to maximize their income.

Mr. Chairman, dairy farmers are extremely vulnerable as stand alone price takers. Their product is uniquely perishable, and the system we have has grown out of the fact that the processing industry has the unique advantage where negotiations with producers are concerned. While one can say what they want about the appropriateness of the particulars of the milk market order system, one fact is clear, that milk marketing orders give dairy farmers an opportunity they would otherwise lack to engage in mutually beneficial cooperative action for price.

Mr. Chairman, much of the debate of this bill focuses on the class 1 differentials. While the differentials matter in terms of promoting geographically diverse milk production, the key to the success of the milk marketing order program is it is focused on uniform prices. The idea that the orders promote the establishment of market-based prices that are paid uniformly to each producer regardless of the use to which his or her milk is put.

Mr. Chairman, put quite simply, the committee's bill's provisions regarding forward pricing represents a fundamental threat to the uniform pricing feature of the Federal milk marketing order system. This development is troubling to me because without uniform pricing, producers will have little choice but to abandon the cooperative effort that has sustained the dairy production industry.

Consider the situation where dairy producers have a choice between selling to a producers' cooperative or selling to a proprietary fluid milk processor. With the marketing system we have today, the producer can make a rational choice given the best opportunities available considering the farm's location and the location of the facilities. Because of uniform pricing there is an inducement to join the cooperative, consolidating with other producers in a manner that gives them the strength of common marketing. As a co-op, they together bear the additional costs of being prepared to process milk into a storable farm by building plants, of finding new markets, and of creating opportunities in other ways.

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If a fluid plant were permitted to use the forward-pricing provisions, however, then it could begin to offer prices that are below the Class I price required under the order system but above the price the cooperative pays, the cooperative which bears those costs which make it effective in strengthening the producer's market position.

Mr. Chairman, it is easy to see what happens next. The rational producer has to do what is best for his or her operation, processors are restored to the position of being able to play each producer off against the other, and our system's effectiveness in promoting cooperative effort collapses.

Mr. Chairman, I agree that forward pricing can be an important risk management tool. Our amendment is designed to allow its use by producers and handlers on milk other than Class I for 5 years. We believe this is a reasonable compromise. I urge my colleagues to oppose the Dooley amendment and support the Stenholm-Pombo amendment.

Mr. Chairman, I reserve the balance of my time.

Mr. RYAN of Wisconsin. Mr. Chairman, I rise to claim the time in opposition to the amendment.

The CHAIRMAN. The gentleman from Wisconsin (Mr. RYAN) is recognized for 20 minutes.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Chairman, I thank the gentleman from Wisconsin (Mr. RYAN) for yielding me this time.

Mr. Chairman, the issue is one of free markets, in my view. Will we allow producers on a volunteer basis to enter into a private contract with a private processor? The Stenholm amendment says that if one happens to be a producer selling to a fluid milk bottler, the answer to that question is no.

The underlying bill, H.R. 1402, would increase the power basically of dairy cartels and, in the long run, the underlying bill not only would hurt producers because of over-supply, in my view, but it also hurts consumers, and it would do so through higher prices, and it would do so through higher price volatility.

Subsidies create excess production. Creating surplus dairy products eventually will create products that will be dumped into the markets and ultimately the Government will be asked to step in and buy surplus dairy products, and Congress did just that over a decade ago in the 1980s; and it cost Americans $17 billion, causing many to say that we should stop milking our taxpayers.

The Dooley amendment, if adopted, would help alleviate basically this situation by allowing producers and processors to contract for price and supply. Under that type of an arrangement, in my view, everyone is a winner, including the consumer. So let us work to implement free market reforms.

There is a reason why Citizens Against Government Waste, why groups like Americans for Tax Reform and Taxpayers for Common Sense oppose the underlying legislation, and I urge my colleagues to do the same and to oppose this amendment as it is currently drafted.

Mr. POMBO. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this amendment has been put together as an effort to bring forward contracting as a tool, as an option, to America's dairy farmers. The original bill that was introduced to allow forward contracting for dairy farmers in this country was a bill that we introduced, and I have always been a big supporter of that because I believe that forward contracting is an extremely important tool that our Nation's dairy farmers should have.

They should have the ability to contract with someone on the outside, some corporation, some business, some processor out there, to contract for the sale of their milk over a long period of time to manage their risk on their particular operation. I believe that very strongly. I think the future for America's dairy farmers will include the ability to do forward contracting.

As we move forward with this particular bill, it became very apparent that a number of our producers, a number of our dairy farmers throughout the country, were dead set opposed to doing forward contracting. They did not want that tool, they did not want that ability, and our opportunity to bring forward contracting to America's dairy farmers, I believe, was very threatened.

I salute the gentleman from Texas (Mr. STENHOLM) for working with me over the past couple of months to come up with this amendment that is, in some ways, a compromise that allows us to bring forward contracting to two-thirds of the dairy producers that are out there, to give them the opportunity to manage their risk with doing forward contracting.

It is not perfect. It is a pilot program. It gives us the ability to try this over the next couple of years and prove that it will work. I believe it will work, but without this amendment passing we will not have forward contracting as part of the ultimate bill; and I believe that that will be a bigger risk for America's dairy farmers.

Mr. Chairman, I reserve the balance of my time.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. DOOLEY).

Mr. DOOLEY of California. Mr. Chairman, I rise in opposition to the Stenholm-Pombo measure and would also like to speak in support of my amendment to theirs.

What we are trying to do here is to provide dairy farmers with a risk-management tool, a tool that will allow them to manage some of the wide fluctuations in milk prices that occur throughout a year. This is an important opportunity that would allow a dairy farmer to voluntarily enter into a contract with a private processor.

Now that sounds like something that is very reasonable, because as a farmer myself that is something I do almost every day, is I enter into a contract with someone that is going to purchase my cotton, my alfalfa, or whatever else I might be producing. It is somewhat remarkable that in our dairy laws today we have a prohibition that actually makes it illegal for a dairy farmer to enter into a private contract voluntarily in order to set a price.

This amendment that we are dealing with at the current time is one that is a step in the right direction because it allows us to have a pilot program that will allow dairy farmers to contract forward on the milk that they are going to sell for manufacturing purposes. If we are, in fact, going to have a legitimate and comprehensive pilot program, we ought to expand it to all classes of milk. Why should we limit it solely to that milk that is going to be used for cheese or other manufacturing purposes? We ought to also be allowing the dairy farmer the option to manage his risk, if he is going to sell his milk to be used for fluid purposes; and that is what is at stake here, and that is why we ought to oppose Stenholm-Pombo, because I think it is important that as policymakers that we really do define what the appropriate role of Government is.

How can we, in good conscience, say that the appropriate role of Government is to preclude dairy farmers from voluntarily entering into a contract with a processor of their choice? It just does not make any sense.

So for all my colleagues that do not know a lot about dairy policy, that are listening, this is a very simple amendment. I ask my colleagues to oppose Pombo-Stenholm and support my amendment.

I would also say that this is a measure that makes so much sense that all the dairy cooperatives in the United States already are using forward contracting. In fact, I have some letters here that are put out by Dairy Farmers of America that talk about the benefits of forward contracting. They say that the benefits of forward contracting is to protect profit margins. It establishes a known price for future production. It allows management of income in volatile markets.

Now, if we have the dairy cooperatives of the United States that are already promoting to their producers the use of forward contractors why, again, would we as Members of Congress decide that it is inappropriate and it in fact should be illegal to allow dairy farmers to enter into a forward contract for the sale of fluid milk to a private processor? That makes no sense.

Vote against Stenholm-Pombo. Vote for the Dooley substitute.

Mr. POMBO. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan (Mr. SMITH).

Mr. SMITH of Michigan. Mr. Chairman, I thank the gentleman from California (Mr. POMBO) for yielding me this time.

Mr. Chairman, let me start out by saying if one supports co-ops, and most all of the dairy farmers in this country sell their milk through co-ops, then you should support the Stenholm-Pombo amendment.

Eighty-seven percent of our milk in this country is sold through the cooperative system. The reason buyers of milk from the farmers would like us to vote down the Stenholm-Pombo amendment is simply because they can undercut the effectiveness of the cooperative to help farmers. What this amendment helps correct is an amendment passed in committee on a vote of 20 to 23, with 6 Members absent. A very close vote in committee. Some were convinced by the philosophical debate that the gentleman from California (Mr. DOOLEY) puts forward.

It sounds good on the surface but what it does, is undercut the effectiveness of the co-ops by letting the manufacturers and the purchasers of the milk go around the co-op, to buy milk directly from the farmers. Thus they have better negotiating power with the co-op, by getting several farmers to leave the co-op and sell directly to the dairy by promises of benefits. A dairy that does not have to deal directly with the co-op for a significant amount of milk increases their bargaining power and reduces the co-op's ability to serve the majority of the people that they represent in getting a fair price for their milk.

Help keep farmer cooperatives strong and vote against the Dooley secondary amendment and for Pombo-Stenholm.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin (Mr. GREEN).

Mr. GREEN of Wisconsin. Mr. Chairman, I thank the gentleman from Wisconsin (Mr. RYAN) for yielding time.

Mr. Chairman, I rise in opposition to the Pombo amendment and in favor of the Dooley amendment. I believe that my dairy farmers should have the right to forward contracting with the processors. I believe that they have to have this tool to manage the risks of fluctuating prices. Those who support this amendment seek to, as my colleague just alluded to, reverse the results of the Committee on Agriculture.

Secondly, I find it interesting that those who are supporting the Pombo amendment say that farmers are vulnerable with respect to processors. That is interesting because farmers in Classes II, III, and IV can already engage in forward contracting. Apparently they are not vulnerable but somehow those in Class I are.

It is also interesting that farmers are suddenly vulnerable with respect to the processors, but they are not vulnerable with respect to the co-ops. We heard in the debate on the previous amendment that they were not vulnerable with the co-ops; they had strengths with the co-ops in their bargaining. Suddenly they are vulnerable.

Quite frankly, in response to the previous speaker, I am not worried about the large co-ops. I think the votes today prove that the large co-ops can take care of themselves very well. They do not need our protection. Our dairy farmers do.

I think the ones who are really vulnerable today are the dairy farmers, not vulnerable with respect to the co-ops, not vulnerable with respect to the processors, but vulnerable with respect to us here inside the beltway as we seem poised to overturn the results of the August referendum and reimpose a Soviet-style system.

Mr. STENHOLM. Mr. Chairman, how much time do I have remaining?

The CHAIRMAN. The gentleman from Texas (Mr. STENHOLM) has 6 minutes remaining.

Mr. STENHOLM. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, I want to repeat some of what the gentleman from Michigan (Mr. SMITH) mentioned a moment ago because he was right on target. If we ask any farmer today, and we are going to talk a lot about this over the next several days and weeks, about the problem we are having with the price we are receiving, now I have done a lot of analyzing of what can farmers do to enhance price and it comes down to a pretty simple question.

Either we farmers, whether it is dairy we talk about today or whether it is fruit, vegetables, beef producers, hog producers, the only thing that producers can do is to bind themselves together in order that they might become an economic unit that can have market power in this tremendously changing marketplace.

My dairymen at home are telling me, the large dairies are saying, if the Dooley amendment should pass, we will have no choice but to do what the advocates of this amendment want done: allow a few producers to go cut their own deals to the expense of everybody else. That can already be done. That is the American system. But why should we make it the legal system more than it already is? That is the fundamental question.

The proponents of this amendment really honestly believe that is what they want to do and I respect that. I respect that, but then I come back to the problem of which we are going to be called on to spend billions of dollars in a few days supplementing the income of corn producers, rice producers, cotton producers, wheat producers. Why? Because the price is too low.

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That is the fundamental choice; and why I point out to my colleagues, to those that want to forward contract under current law, they can already do so and they will be able to do so. It is called the future's market. Any producer that believes they would like to forward price because it is better may do so every day today. If one chooses to do that as an individual because one believes one can get a better price, one may do so.

The problem with allowing one to do as this amendment suggests ignores the fact that our cooperatives play a very vital role for their dairy community that often gets overlooked by those who choose to contract out. It is called market balancing. Whenever one gets short-term surpluses of milk in any given regional order, somebody has to take that and move it some place at whatever cost it takes. That is what gets overlooked if this amendment should pass in the form in which they propose it to those who oppose the amendment. It will do irreparable harm to the dairy industry's quest at price enhancement, of taking what we now have and allowing dairy farmers to work with the processors, not against them, to get more of the consumers' price into the dairy farmers' pockets.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 2½ minutes to the gentleman from Wisconsin (Mr. KIND).

Mr. KIND. Mr. Chairman, I thank my friend from Wisconsin for yielding me this time.

Mr. Chairman, I rise today in opposition to the Stenholm amendment and in support of the Dooley amendment. I truly believe that if we really want to do everything we can to enable our dairy farmers to survive in current market conditions, we need to do two things, one of which is to allow us to move forward this reform from USDA that moves us to a more market-oriented pricing system rather than a government price-controlled system. Even though it is very incremental, it is a step in the right direction.

The other important thing, we can do is to do everything within our power to empower the individual producer with more risk-management tools so that they have more control over their own destiny. There is a very important risk-management tool that is available to farmers that have the luxury of dealing with co-ops and that is called forward contracting. In fact, we have a pilot options program taking place right now in a variety of counties throughout Wisconsin that allow producers to enter into options or future contracts. The concept is simple. If they can lock in on a predictable price and a revenue return that they can rely upon, then they will not be subject to the vagaries of the marketplace and the wild, cyclical ride that we have seen throughout the dairy industry and throughout most of the agriculture industry, with drastic price fluctuations. This risk-management tool gives those individual producers who are willing to crunch their own numbers and determine what their individual cost of production is, to enter into private contracts placed on future prices.

Now, if they know that their cost of production is say 11 bucks per hundredweight and they can lock in on a future contract of 12 bucks per hundredweight, they are going to be making a buck profit per hundred-weight. And that is a tool that our farmers in the region are just now starting to utilize. That is why I am in favor of the Dooley amendment. It would expand future contracting beyond cooperatives.

I think we should be empowering these farmers regardless of the access they have to co-ops. There are many producers around the country that do not have access to co-ops. In Wisconsin, we have roughly a little more than 80 percent of our dairy farmers that do have co-ops that they can forward contract with. But there are roughly 20 percent that want to be able to do this with private entities, and that is more true in other parts of the region that do not have a lot of co-ops to join and forward contract with.

So if we are really going to help our family farmers today, I would encourage my colleagues to oppose the Stenholm amendment, support the Dooley amendment, and allow forward contracting for producers, regardless of where they happen to be producing and regardless of whether or not they can join a co-op or deal directly with a private entity.

Mr. RYAN of Wisconsin. Mr. Chairman, may I inquire as to the time remaining.

The CHAIRMAN pro tempore (Mr. GILLMOR). The gentleman from Wisconsin (Mr. RYAN) has 10½ minutes remaining; the gentleman from California (Mr. DOOLEY) has 6½ minutes remaining; the gentleman from Texas (Mr. STENHOLM) has 3 minutes remaining.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia (Mr. GOODLATTE).

Mr. GOODLATTE. Mr. Chairman, I thank the gentleman for yielding me this time.

I rise in strong opposition to the Stenholm amendment and in support of the Dooley amendment. The Stenholm amendment is a bad idea. It takes away something that we just put into this legislation to give every dairy farmer in the country something they badly need to do.

Farmers across the country complain about their inability to manage risk, to deal with the fluctuation in prices. Forward contracting allows them to do that. It allows processors to offer producers or their cooperatives a predetermined price for their milk over a specified period of time. Producers can voluntarily accept a price based on the processor's offer or continue to pay prices based on Federal milk order prices set each month in their order. This is simply another risk-management tool that should be offered to all farmers. There is nothing that says a producer must take a processor's offer or that he cannot continue to be paid for his milk the way his grandfather's father was paid. The forward contracting provisions in this bill are completely voluntary.

The amendment to exclude fluid milk from the forward contracting provisions of this bill will leave the majority of my dairy-producing constituents without the same risk-management tools that others have. I represent a heavy Class I utilization area. I hear my farmers' complaints about price volatility very frequently. If they are not offered the same ability to forward contract as other dairy producers, they will be severely disadvantaged in their ability to manage their risk and lock in a price for their product.

Dairy cooperatives can offer their producers forward contractors, but the Agriculture Marketing Agreements Act of 1937 severely limits proprietary processors from offering producers forward pricing. This legislation is necessary to enable all dairy processors, cooperative and proprietary alike, to offer forward contracts.

Class I milk must be included in this bill's forward contracting provisions if we are to put the entire industry on an equal footing in helping farmers manage their operations profitably.

Oppose the Stenholm amendment and support the Dooley amendment.

The CHAIRMAN pro tempore. The Committee will rise informally.

The SPEAKER pro tempore (Mr. GUTKNECHT) assumed the Chair.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate agrees to the report of the Committee of Conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1059) ''An Act to authorize appropriations for fiscal year 2000 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.''

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. GUTKNECHT), a champion in the milk marketing reform debate.

Mr. GUTKNECHT. Mr. Chairman, I thank the gentleman for yielding me this time.

I want to see if I can put this into terms that more Members can understand. Last year, I was at the Houston County Fair, and I have done this at other fairs, but this was a specific example where I was meeting with some dairy farmers and we were talking about dairy prices and I asked some of them, well, how much was your milk check last month. If you ask the farmers themselves, many times they do not know. But if you ask the farm wives, they can tell you. They know how much that milk check is month to month. What this debate is about is are we going to allow some of those people to take some of the bumps out of the road.

The reason I tell the story is last year and then again this year, we have seen prices go from $20 a hundred-weight down to about $12 a hundred-weight, and depending on the circumstances, either side of those two numbers. They are happy when the price is $20 a hundred-weight, but they are all hurting when the price is $12. We have seen this roller coaster ride.

What we are talking about is a risk-management tool whereby the dairy farmers, and let us talk about those farm wives, the ones who get the checks, who pay the bills, they are the ones who really know what is happening with the business end of most dairy farms; let us let them have that option, whether they go to the co-ops or whether they go to a for-profit producer or processor. Let us let them have the option of contracting.

So I rise in opposition to the Stenholm amendment; I rise in support of the Dooley language, because all we are saying is whether one sells their milk to a co-op or whether one sells their milk to a for-profit, they ought to have the option of taking some of those bumps out of the road. I say to my colleagues, the co-ops, in my opinion, have done a miserable job of advancing this basic notion. I think if people begin to understand it is available and if there is a competitive pressure out there, both the co-ops and the for-profits are going to move to help farmers utilize this risk-management tool.

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. DOOLEY).

Mr. DOOLEY of California. Mr. Chairman, once again, I just want to touch on a few of the arguments that some of the supporters of this amendment have made in terms of it undermining the ability of farmers to participate in cooperative efforts.

I think as a Member of Congress, I probably am a member of more agriculture cooperatives than any other member of the 435 in our body. I market my cotton through a cooperative. We market a whole host of other products through cooperatives. I believe in the cooperative system.

But I also believe very strongly that as a farmer, I should have the right to voluntarily enter into a contract to market my product. And when we talk about this is undermining the cooperative system, there is nothing in the proposal that I am advancing that would undermine that.

What we are undermining, if we pass the Stenholm-Pombo legislation, is we are undermining the right of a farmer; we are undermining the right of a farmer to voluntarily enter into a contract in order that they may be better able to manage the risks associated with the volatility in milk prices.

Now, that makes so much common sense that I, quite frankly, am surprised we are even having a debate on this issue. Why should we think that it is the appropriate role of government, once again, to deny farmers the right to enter into a contract. Could we imagine going into another sector of our industry and saying that we are going to deny the producer of orange juice or oranges the ability to enter into a forward contract with Sunkist who is a cooperative or Minute Maid and say, it is your right to enter into a forward contract if your oranges are going to be used for a fruit cocktail mix or something like this, but it is against the law for you to enter into a forward contract if you are going to sell your oranges for juice that is going to end up in the bottle for fluid consumption.

That is absolutely absurd. But yet, that is what we are trying to do with this amendment is that we are going to say that it is all right for a farmer to voluntarily contract to sell their milk for cheese or butter or powder but if they want to enter into that same contract to sell their milk as fluid production to end up in a bottle, we are saying it is against the law.

The Federal Government has no right to intercede in the affairs of a private entity and a farmer from entering into voluntarily a contract.

Mr. Chairman, I reserve the balance of my time.

Mr. Chairman, how much time do I have remaining?

The CHAIRMAN pro tempore. The gentleman from California (Mr. DOOLEY) has 30 seconds remaining.

Mr. DOOLEY of California. Mr. Chairman, I yield the balance of my time to the gentleman from Wisconsin (Mr. RYAN).

Mr. RYAN of Wisconsin. Mr. Chairman, I yield 1 minute to the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Chairman, if I could follow along from the conversation of my colleague from California was having. Understand that under current law, dairy farmers cannot go out and sell their milk, because the Federal program, the Federal milk market order system says that one can only sell one's milk within a particular region for a particular price to a particular buyer. That is the first problem.

Then, with the amendment that we have on the floor currently we are saying that if one wants to have forward contracting, one can have it if one has Class II or III milk, but if one has fluid milk, one cannot forward contract. So we are forcing dairy farmers into a position where they only have one place to sell their milk and that is through their co-ops.