USDA
for WK

ENDORSEES OF THE LEAF ACT (43)

Western Dark Fired Tobacco Growers Association
The Council For Burley Tobacco
Burley Tobacco Growers Cooperative Association
Burley and Dark Leaf Tobacco Association
Stemming District Tobacco Association
Missouri Council for Burley Tobacco
Burley Auction Warehouse Association
Georgia Tobacco Warehouse Association
Flue-Cured Tobacco Cooperative Stabilization Corporation
Eastern Dark Fired Tobacco Growers Association
Virginia Dark Fired Tobacco Grower Marketing Association
Sun-Cured Tobacco Marketing Cooperative
Virginia Tobacco Growers Association
Concerned Friends for Tobacco

Kentucky Farm Bureau Federation
Kentucky Fertilizer and Agricultural Chemical Association
Louisville Agriculture Club
Federation of Southern Cooperatives
South Carolina Farm Bureau
Community Farm Alliance
Kentucky Minority Farmers
The Fertilizer Institute
National Farmers Union
Commodity Growers Association
Georgia Department of Agriculture
Southern States
Colonial Farm Credit
Virginia Farm Bureau
Governor Paul Patton
National Family Farm Coalition
Attorney General Ben Chandler (KY)
Attorney General Charles Condon (SC)
Attorney General Mark Early (VA)
Attorney GeneralThurbert Baker (GA)
Attorney General John Walkup (TN)
Southern Crop Protection Association
Billy Ray Smith, Commissioner of Agriculture (KY)

Mountain Assistance for Community Economic Development
Rural Advancement Foundation International
University of Tennessee
University of Kentucky, College of Agriculture
Center for Sustainable Systems
KY Appalachian Ministry/Disciples of Christ

ENDORSEES OF A TOBACCO PROGRAM (17)

National Governors Association
Southern Governors Association
Campaign for Tobacco-Free Kids
American Heart Association
American Cancer Society
Americans for Nonsmokers Rights
American Association for Respiratory Care
American College of Cardiology
American College of Chest Physicians
American School Health Association
Interreligious Coalition on Smoking or Health
Oncology Nursing Society
Partnership for Prevention
National Hispanic Medical Association
Indiana Tobacco Growers Association
Farm Credit Services
Virginia Agricultural Growers Association

62683

Spector

Tobacco farmers — LEAF endorsees EW

FAX TRANSMISSION

SEN. WENDELL H. FORD
173A RUSSELL SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510
(202) 224-4343
FAX:

To: Mary Smith

Fax #: (202) 456-7431

From: Jim Low

Subject: LEAF Act

Date: May 20, 1998

Pages: ~~7~~ 8, including this cover sheet.

COMMENTS:

I've also included an updated endorsement list.

~ Jim

FLUE-CURED TOBACCO COOPERATIVE STABILIZATION CORPORATION

P. O. Box 12300
Raleigh, North Carolina 27605

Telephone: (919) 821-4560
Facsimile: (919) 821-4564

May 15, 1998

The Honorable Wendell H. Ford
United States Senate
Washington, DC 20510

Dear Senator Ford:

On May 7, 1998, the Flue-Cured Tobacco Cooperative Stabilization Board of Directors reaffirmed its position regarding the future of flue-cured tobacco farmers and the economic viability of their communities. The modified L.E.A.F. Act sponsored by you and others contains the basic elements of our Board's position; compensation for tobacco quota owners, transition payments for producers, increased program flexibility and most importantly, the continuation of a supply and price management program for tobacco farmers and their communities.

Our Board strongly supports the above position and endorses any legislation, such as the modified L.E.A.F. Act, that contains these provisions.

The Board firmly believes that compensation for quota owners, transition payments and a strong supply and price management program, along with the necessary tools to facilitate the management of such a program is vital to the economic welfare of thousands of farm families and their communities in Florida, Georgia, South Carolina, North Carolina and Virginia.

The Board deeply appreciates your efforts and concern for all tobacco farm families and their communities who depend on tobacco production.

Respectfully,

Lioniel Edwards

Lioniel Edwards
General Manager

Post-It™ brand fax transmittal memo 7671 # of pages ▸ 1

To Ridge Schuyler	From Jerry Gass
Co.	Co.
Dept.	Phone #
Fax # 202-224-8689	Fax #

Southern States Cooperative, Inc.
6606 West Broad Street
Richmond, Virginia 23230-1717
Mail Address: P.O. Box 26234
Richmond, Virginia 23260-6234
Telephone (804) 281-1000

SOUTHERN STATES

May 15, 1998

The Honorable Charles S. Robb
United States Senate
154 Russell Senate Office Building
Washington, DC 20510

Dear Chuck:

As you know, Southern States has many members in Virginia and throughout our six-state territory who have a long tradition of producing fine tobacco. On their behalf and in their interest, we strongly support the grower provisions known as the "Leaf Act," which provides compensatory payments to tobacco producers for lost income and equity while maintaining a federal tobacco program.

Let me reiterate what we told you when our Agribusiness Council delegation visited your office a short time back: We very much appreciate the efforts you and your staff have expended in this area. Please continue to do all you can to see that the Senate includes in its bill adequate protection for tobacco growers and their families.

Thank you, Chuck.

Sincerely,

Jerry

Jerry H. Gass
Director, Corporate Communications
and Government Affairs

JG:ab

The Federation of Southern Cooperatives
Land Assistance Fund

Public Relations and Fundraising Office
2769 Church Street
East Point, GA 30344

Telephone (404) 765-0991
Facsimile (404) 765-9178
E-Mail fsc@mindspring.com

RALPH PAIGE
EXECUTIVE DIRECTOR

May 12, 1998

The Honorable Wendell H. Ford
173A Russell Senate Office Building
Washington, DC 20510

Dear Senator Ford:

On behalf of African-American farmers and other minority tobacco producers, I am writing to express the Federation's support for the LEAF Act. We are convinced that any tobacco legislation under consideration must be inclusive of the concerns for our constituencies. We feel that tobacco producers must be protected from further losses that would put them out of business at the expense of a few large producers. Their lives and livelihood must not be destroyed by the fall out of the tobacco settlement.

As you know, a strong, viable tobacco program is largely responsible for the health of the family farm in our states. Production quotas and price supports ensure that small family farmers can rely on tobacco to provide substantial income year after year. Without the program, which operates at not net cost to the taxpayer, small farms would face extinction throughout the southeast.

The proposed national tobacco settlement will impose severe difficulties on tobacco producers and their communities. The LEAF Act is the only legislation that proposes to address these difficulties within the context of a strong, viable tobacco program. The LEAF Act would compensate farmers for the lost value of their quota, provide a buy-out option for those farmers who wish to cease production, make badly-needed economic development funds available to tobacco-producing counties and ensure that farmers and tobacco workers have access to education and retraining resources. In short, the LEAF Act is the only legislative option that addresses the needs of the entire community while ensuring that the family farm will survive.

We also believe that the LEAF Act, with its continuation of the tobacco program, serves the larger goals of a national tobacco settlement: keeping the price of tobacco products high and regulating their production and manufacture. Doing away with the program will do nothing to help reduce youth smoking.

On behalf of our members, I would like to thank you and the other cosponsors of the LEAF Act for your support of rural communities.

Cooperatively yours,

Ralph Paige

Ralph Paige
Executive Director

Post-it® Fax Note 7671	Date 5-12	# of pages ▶ 1
To Attn: Jim Lass	From Ralph Paige	
Co./Dept.	Co.	
Phone # 202-224-2559	Phone # 404-765-0991	
Fax # 202-224-0046	Fax #	

tobacco farmers endorsees -26

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Interreligious Coalition on Smoking or Health
Oncology Nursing Society
Partnership for Prevention
National Hispanic Medical Association
Indiana Tobacco Growers Association
Farm Credit Services
Virginia Agricultural Growers Association

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White House Press Release

PRESS BRIEFING BY DAN GLICKMAN, SECRETARY OF AGRICULTURE, BRUCE REED, ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY AND MIKE MCCURRY

THE WHITE HOUSE

Office of the Press Secretary
(Carrollton, **Kentucky**)

For Immediate Release April 9, 1998

PRESS BRIEFING
BY
DAN GLICKMAN, SECRETARY OF AGRICULTURE,
BRUCE REED, ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
AND MIKE MCCURRY

Carroll County High School
Carrollton, **Kentucky**

12:26 P.M. EDT

MR. MCCURRY: I wanted both Bruce Reed, the President's principal domestic policy adviser, assistant to the President, and Secretary of Agriculture Glickman to be here and take any questions you have related to some of the issues surrounding the assistance programs for tobacco or anything else about the legislation.

Let me just advise networks and others, I anticipate the President at the top of his remarks to make a brief announcement concerning the tornado damage in Alabama and Georgia. He will be dispatching two senior ranking federal officials to view the damage and saying some things about the destruction there earlier today, and I can come back again if you have anything else.

Secretary Glickman.

SECRETARY GLICKMAN: I have with me Under Secretary Dallas Smith, who is the principal USDA person involved with the tobacco program for years, so I'd be glad to take any questions that you may have.

Here's what
Cleared USDA.
~~[illegible]~~
- I got an update from
Ford & others -- I'll
call you re: strategy. Tom

Q Senator Ford's proposed legislation is separate from, or is it part of -

SECRETARY GLICKMAN: Part of. It was added to the McCain bill in committee.

Q So it all rises or falls together. It is not a separate piece of legislation.

SECRETARY GLICKMAN: That's correct.

Q Can you give us an update of the status of Lugar's legislation on the price support issue? That's moving separately? Is that right? And are you against it?

SECRETARY GLICKMAN: Well, as I understand it, Senator Lugar wanted to have as part of the larger tobacco settlement issue the buy-out of the quota, and that would be it. And that was not adopted in the McCain committee. The Ford proposal was adopted. So my presumption is the Lugar proposal is not a live proposal.

MR. REED: He introduced it, but Senate commerce did not take it up.

Q So it could come up again on the floor?

MR. REED: It could very well.

Q And is the President essentially in favor of the Ford approach, as opposed to the Lugar approach?

SECRETARY GLICKMAN: Based upon what the President said today and his previous statements, he is in favor of keeping a program in place in addition to offering a voluntary buy-out, so that would be much more compatible with the Ford proposal. So the answer is basically yes.

Q Outside of coming here and sounding somewhat sympathetic to the problems of the farmers, what does the President plan to offer them today? Anything?

SECRETARY GLICKMAN: Well, first of all, let me say, I was here a week ago myself and I addressed some of these issues in terms of -- the main thing the farmers want to know is there will be stability for them in connection with whatever settlement is finally agreed to. That is life or death for them because of the nature of the program. And I think the President gave them that assurance today, that there will be stability, that he will no doubt work with Senator Ford and other members of this delegation to make sure that that happens. That's the most important message I can tell you that the folks out here want to hear.

In addition to that, I think the President talked about other ways that we can help communities as well as farmers in connection with the long-term possibility that there may be some reduced demand -- and that's the whole idea, reduced teen demand -- and what we can do in terms of rural development, other kinds of things, help the communities survive.

By the way, so that you know, the tobacco program is different from every other farm program. It is a no net cost program. Most farm programs historically have the government paying out money to farmers in the form of deficiency payments; the tobacco program does not. It relies on -- the monies are largely paid by consumers of tobacco, and the monies that are administered, of the tobacco program, are raised through the tobacco program itself. There is an assessment that is provided. So this is a different program than virtually every other type of program.

And while you can argue the merits of the program, when people talk about tobacco subsidies, that is really an inaccurate assessment of what this program is.

Thank you.

MR. MCCURRY: All right, we're going to get started with the speech in a minute. Anything else that anyone needs to know about? Anything else?

Q Mike, has the administration said that they -- on the Pol Pot story, can you confirm the Times and the Post stories?

MR. MCCURRY: Let me provide a little background. Some of you haven't had a chance to see a pool report yet, but I did talk to the pool on the plane about this. The United States government, for quite some time, has believed that Pol Pot and other senior members of the Khmer Rouge leadership who were responsible for the mass slaughter during the killing fields episodes of 1975 through 1979 should be brought to account for those atrocities.

We have had conversations, consultations with a number of governments with respect to our desire to see justice done. Our belief is that Pol Pot and others could be brought to justice in an appropriate forum, whether it be an international tribunal, some third-country court, or perhaps even an on-location court, but that ought to be done consistent with guidelines established at the United Nations. We've had a number of conversations with respect to that.

At the moment, it is a hypothetical and moot point because he is not in a position to be incarcerated, believed to be in the jungle area on the border between Thailand and Cambodia, but we have had deliberations within our government to discuss hypotheticals to better inform the dialogue that we're having with other governments.

Q Does that include plans for an arrest?

MR. MCCURRY: That includes a number of hypothetical scenarios. Beyond that, I'm not going to comment.

Q But how he might be arrested, is that one of the plans being discussed?

MR. MCCURRY: It includes a number of hypothetical scenarios, but I'm not going to discuss any of those specifically.

Q Is there concern over Beijing's reaction to such a plan ahead of the President's trip?

MR. MCCURRY: There are a host of concerns about reactions, what the diplomatic issues might be, and one can easily imagine that we would have internal deliberations within our government that would better inform the diplomatic dialogue we'd have with other countries.

Q What is accomplished by having leaked the story? Are you sending a message to Pol Pot that he ought to keep his head down?

MR. MCCURRY: Much to the contrary. There is in fact a great deal of anger that the story appeared and some degree of likelihood that any such operation, if one were to be imagined, would be far less likely to succeed.

Q Are you concerned now -- I mean, does this put him on notice that he is a target and you've got to -

MR. MCCURRY: I have no way of speculating what degree of notice he may or may not have.

Q But is that the purpose of your anger that this has come out?

MR. MCCURRY: Among other purposes, yes.

Q I have a question for Mr. Reed. There is an awful lot of hostility coming out of the tobacco industry now. Is the President concerned that tobacco farmers are going to turn against the legislative process also?

MR. REED: No, I don't think so. I think what we heard today is that what tobacco farmers want most is to see legislation passed this year along the lines of the commerce committee bill that includes provisions to protect farmers and their communities. They don't want to go back to the original agreement, which did nothing for farmers. They don't want to see no legislation passed, which leaves them in limbo. They want the security and certainty of knowing that, if tobacco consumption is going to decline in the years to come, their communities are going to be provided for.

Q It sounded like Mr. Sprague, among others, was saying that if you send the industry into bankruptcy, that's going to hurt tobacco farmers. Isn't that a concern?

MR. REED: Well, as we've said before, we're not interested in bankrupting the tobacco companies. We just want them to change the way they do business. We want to put them out of the business of selling cigarettes to kids. And we believe that that can be done in a way that can still maintain tobacco farmers' livelihoods for those who wish to stay on the farm, and that there is a longstanding tension between the growers and the companies, which we heard some of today. Their interests are not exactly aligned.

But in any event, the tobacco industry is dramatically overstating the risk of bankruptcy in an effort to hold down the price of the deal, and we are going to continue to press forward for the principles the President put forward last year.

Q -- longstanding tensions between the industry and farmers?

MR. REED: I think that the tobacco industry has few friends to begin with, and even fewer after yesterday. And we just want to make clear to the people of **Kentucky** and North Carolina and other tobacco-producing states that we're not out to get tobacco; we're just out to stop teen smoking. And we think that that can be done in a way that keeps these communities alive.

Q Bruce, are you saying the companies basically are just posturing on this, when you say "dramatically overstating"? And is there anything at all that the administration feels that should be done to address the concerns they have with the current legislation?

MR. REED: We fundamentally disagree with their analysis of the Senate commerce committee bill. We think it's a good bill and a big step in the right direction. We don't think it threatens their business. It's impossible to say whether they're posturing or whether they mean it.

Q Bruce, the bill that came out of committee is decidedly different from the settlement they reached on June 20th, is it not?

MR. REED: Yes, it is, and it's different in several ways that are very important to the administration and to the public health community and to members of Congress on both sides of the aisle. The Senate commerce committee reflects the price increases that the President called for in his budget and that public health experts have called for. It secures authority for the Food and Drug Administration. It takes care of the farmers. So it's changed in significant ways, but not ways that we believe would put the tobacco companies anywhere close to out of business.

Q But it's much more expensive than what they agreed to. I mean, they have a point on that, don't they?

MR. REED: Both the original settlement and the commerce committee bill would have some impact on the tobacco industry's domestic profits and reduce their operating margins here in the United States. But with the original settlement and with this bill, the tobacco companies will still be able to pass on many of those costs to consumers. And it will have some impact on their bottom lines because overall consumption of cigarettes will decline.

But remember, cigarette making is one of the most profitable businesses there is. They have very high profit margins to begin with. And though this will squeeze their domestic profits in some way, it is nowhere near to bankruptcy. The only thing that could put them out of business is if they lost a slew of very expensive lawsuits, which is the threat that brought them to the table in the first place.

Q But there is nothing the administration thinks needs to be done to address their concerns at this point?

MR. REED: Yesterday they said they were just up and walking away, so it's difficult to address that concern. But we basically think that the Senate commerce committee is a very good bill, and we're going to keep working to build bipartisan support to get it done.

Q Has Treasury done some kind of definitive analysis that looks at the McCain Bill and concludes, on the basis of those price increases and the lack of legal protection that's in it, that even RJR, with its heavy debt, would continue to survive?

MR. REED: The Treasury Department has looked at the kind of financial impact that this legislation would have on the tobacco companies, including RJR. It is impossible to quantify the legal risk. The tobacco industry has never paid out a dime, so we can't project five years, ten years from now, what their annual legal costs are going to be. If they're astronomical, they could very well go out of business. That's a risk that they would run in any case, and the commerce committee bill does limit their legal exposure to some degree.

Q We missed the top. Can you tell us again -- the apprehension of Pol Pot -- what the U.S. role would be in that?

MR. MCCURRY: Again, to restate what I said earlier, without commenting specifically on that story, we have had conversations about our desire to bring Pol Pot and other senior leadership of the Khmer Rouge regime to justice for the atrocities that occurred in Cambodia in the period 1975 to 1979. At the moment, any scenario that would lead to that type of justice is purely hypothetical because Pol Pot is not in a position to be incarcerated.

Q Could the U.S. try him for crimes he committed in Cambodia?

MR. MCCURRY: I'm not going to speculate on, hypothetically, how he might be brought to justice.

Q Under the commerce committee bill, do you have an idea of how much demand for tobacco would fall. I've seen estimates of 30 percent over five years. Do you have an estimate?

MR. REED: We have estimated that it would have a dramatic impact on youth smoking, that we could see a reduction on the order of 45 to 50 percent in youth prevalence over the next five to ten years. In terms of overall cigarette volume, I believe our estimate is around a 25 percent drop.

As the Wall Street Journal has learned from the Treasury Department, we estimate that -- well, current volume of cigarettes is 24 billion packs a year, and under the commerce committee bill we estimate that that would drop to 17 billion packs a year.

Q By when?

MR. REED: By 2003 when the full price increase is phased in. I don't have a figure off the top of my head. I think the settlement was on the nature of, well, it would probably be a 15 percent drop, would be my guess.

MR. MCCURRY: Okay, I think the President is talking so we'll knock off. Thank you.

END 12:44 P.M. EDT

To comment on this service: *feedback@www.whitehouse.gov*

FAX COVER SHEET

U.S. DEPARTMENT OF AGRICULTURE
Office of the Under Secretary
Farm and Foreign Agricultural Services
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250-0105

Fax No: (202) 720-8254
Telephone: (202) 720-3111

Date: 5/13/98

TO: Tom Freedman
WH

FAX NO: 456-7431

PAGES: 10
(including cover)

FROM: for Dallas Smith

- ☐ AUGUST SCHUMACHER
- ☐ DALLAS R. SMITH
- ☐ JIM SCHROEDER
- ☐ TERESA GRUBER
- ☐ JOHN WINSKI
- ☐ BUTCH MAY
- ☐ KATHY BLYTHE
- ☒ JACKIE BURRELLO
- ☐ VICKIE PAIGE

COMMENTS: Tom, Dallas has not reviewed the attached. ~~Attachment~~

2. Dallas will be calling you to discuss this Lugar Analysis.

05/13/98 WED 16:38 FAX 202 720 8254 USDA-FFAS 001

DRAFT

LUGAR BILL - NATIONAL TOBACCO SETTLEMENT - S. 1313

The Lugar Bill, entitled the Tobacco Transition Act, would provide market transition assistance to quota owners, tobacco producers and communities that are dependent on tobacco production, and phase out the Federal tobacco program. Under the Lugar proposal:

- Quota owners would receive $8 per pound in either (1) a lump sum payment to those who agreed to cease tobacco production or (2) three equal annual payments beginning in 1999 to those who wished to retain the ability to grow tobacco.

- Producer transition compensation to quota lessees would be equal to 40 cents per pound for three years or $1.20 over the three year period. Transition payments would be based on a farmer's average production during 1993 through 1997.

- Mandatory end to the quota program in 1999 and a three-year phase out of the price support loan program. Price supports would be reduced by 25 percent in 1999 and then by 10 percent for each of 2000 and 2001 and would end thereafter.

- Assistance to affected rural communities in economic development grants for three years totaling $300 million.

Funding for the Lugar Bill, including buy-outs, transition payments and grants, as well as offsets to cover federal revenue losses due to the termination of the program (all of which has been scored at $15 billion), would be obtained by increasing the proposed $368.5 billion National tobacco settlement between tobacco companies and 40 state attorneys general.

Concerns with the Lugar Bill:

- By terminating marketing quotas and phasing out price supports, cigarettes manufacturers are projected to have windfall gains in excess of $1 billion annually. The $1 billion windfall is calculated by assuming that the domestic price to growers for tobacco would drop to the approximate world market price adjusted upwards for quality considerations. That price is assumed to be approximately $1 per pound, down from the current average price of $1.72 per pound. The current price is held artificially higher than the world market price by a statutory price support formula. Initially, this $1 billion gain (72 cents per pound times 1.6 billion pounds of production) to manufacturers is a dollar for dollar loss to the tobacco producing community.

- Termination of marketing quotas and price supports may result in short term displacement of production. Without quotas, coupled with other economic uncertainties, production may not meet demand until lending institutions and support industries recognize new production and demand patterns for tobacco. Tobacco manufacturers are likely to make up the short fall by increasing imports of off shore tobacco or shifting the manufacturing of cigarettes and other products to offshore plants to the extent that they have capacity to do so.

- After a transition period, production of flue-cured and burley tobaccos is projected to increase by as much as 50 percent and 20 percent, respectively. Other kinds of quota tobaccos are less likely to be significantly impacted by the Lugar Bill. This increase in burley and flue-cured tobaccos production is assumed because of the expected shifts in production to larger farming operations and lowering of costs of production through efficiencies to be gained by changes in the manner in which the crop is produced and marketed. Larger farmers will be able to absorb the expected drop in price by spreading their fixed costs over larger planted acres and because tobacco currently has almost three times the crop value as the next nearest crop (cabbage production) and almost a seven fold advantage over the production of cotton. Further, the reduced price of leaf tobacco to manufacturers will have the potential of reduced prices for cigarettes, although it is acknowledged that there is very little correlation between prices paid to growers and prices received by manufacturers from the sale of cigarettes.

- Increased production with lower profit margins should be a boon to large established producers; however, the legislation would have a disproportionately adverse impact on minority and limited-resource tobacco producers and de-stabilize many of these family farming operations. In fact, 43 percent of flue-cured quotas and 31 percent of the burley quotas are owned by females. In addition, while African-American operated farms are about as likely as all U.S. farms to harvest corn and soybeans, they are twice as likely to harvest tobacco. These facts, coupled with the fact that nearly 90 percent of farms operated by African-Americans nationally have sales of less than $25,000, further highlights the impact of tobacco on minority owned farms.

- Transition payments to producers (40 cents per pound based on leased quota levels during a base period) may not be sufficient to sustain tobacco producers with large rental operations during the early years following the expected large drop in market prices. Some bills being considered as part of the National tobacco settlement have larger ($4.00 per pound)transition payments for quota lessees and quota tenants based on lower production levels. Most of these bills would provide for the continuation of the current or a revised marketing quota program as well as price supports.

- Economic development grants for three years, funded at $100 million per year, appear grossly inadequate to bridge the transition period. Marginal tobacco production areas are unlikely to remain economically viable. In the absence of tobacco farming, all commercial agricultural production in these areas may cease, because tobacco quotas facilitate the financing of whole farming operations including grains and vegetable crops that are grown currently on the same farms with tobacco. In addition, service and support industries will be forced to migrate away from these areas or cease to exist. Further, it is unlikely that there will be substitute agriculture or manufacturing activities to replace income formerly generated from tobacco production. Other proposed bills provide for substantially greater tobacco community assistance (ranging from $3.8 billion to$8.3 billion) over a longer period of time.

Impact on Commodity Credit Corporation (CCC) and National Tobacco Settlement:

An analysis of the Lugar Bill indicates that the financial exposure of CCC and thus the National tobacco settlement is manageable. In 1999, if the Lugar Bill becomes law, quotas would be abolished leaving production open-ended. Price support would be available but at substantially reduced rates. Under this scenario, price-supported tobacco production is projected to increase by about 250 million pounds in the first year, mostly from current producers. However, due to substantially lower prices (price support is reduced 25 percent in 1999), demand is expected to increase by a similar amount, leaving only a small amount to be pledged for loan under the price support program. Production could increase in subsequent years up to approximately 1.5 billion pounds for flue-cured and 750 million pounds for burley tobacco. Again, demand is expected to increase concurrently, limiting CCC loan exposure.

However, at the start of the 1999 crop, USDA will have substantial amounts of the 1997 and 1998 crops of both flue-cured and burley tobacco under loan. Because these crops were supported at the higher, pre-Lugar rates, losses equal to the difference in support rates (40 to 45 cents if the Lugar Bill passes) times the estimated 600 to 700 million pounds to be under loan or $275 million, could be expected. Depending on the time required to dispose of these loan stocks, losses, to be paid out of the National tobacco settlement, could exceed $350 million or more.

Additional concern has been raised over the large outlays required by the Lugar Bill of approximately $15 billion during the first 3 years after passage. By contrast, the McCain Bill disperses about $28.5 billion over 25 years, including $16.5 billion in producer payments over the first 10 years.

s:\director\fo_draft\newlugar.wpd

SIDE-BY-SIDE COMPARISON OF THE VARIOUS SECTIONS OF THE MCCAIN BILL, LUGAR BILL, AND CURRENT TOBACCO LEGISLATION

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1002 - Definitions	Defines: (1) participating tobacco producer, (2) quota holder, (3) quota lessee, (4) quota tenant, (5) tobacco importer and manufacturer, (6) tobacco warehouse owner, (7) Secretarial oversight, and (8) Trust Fund.	Defines similar entities and funds for buyout program administration.	Similar definitions or uses.
1011- Establishment of Trust Fund	Provides for the establishment of the "Tobacco Community Revitalization Trust Fund" and its operations including sources of revenue and disbursement levels. Disbursements are limited to: (1) section 1021- buyouts and lost tobacco quota - $1.65 billion annually through 2023. (2) section 1022 - USDA administrative costs. (3) section 1023 - community development grants - $375 million thru 2008, $450 million 2009 thru 2023.	Similar provisions. (1) Similar but capped at $15 billion for FYs 1999 thru 2001. (2) No such provision. (3), (4) and (5) similar but with a combined capped at $300 million over 3 years.	Not applicable.

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1011- continued	(4) section 1031 - worker transition program - $25 million for 10 fiscal years (FY) (5) higher education grants ranging from $42.5 million in 1999 to $72.5 million 2023. Constitutes budget authority in advance of appropriations.		Not applicable.
1012 - Contributions by Tobacco Product Manufacturers and Importers.	Provides and obligates manufacturers and importers for contributions to the Trust Fund of: (1) $2.1 billion for FYs 1999 thru 2008 (2) $500 million for FYs 2009 thru 2023 (3) USDA costs associated with the tobacco program for FY 2024 and each subsequent FY.	Funding provided through National tobacco settlement.	Not applicable.

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1021- Payments for lost tobacco quota.	Sets base levels for quota holders, quota lessees and quota tenants for all kinds of tobacco. Provides for payments for lost tobacco quota for all types of tobacco **except flue-cured**. Provides: (1) quota holders a 1-time option to relinquish quota for $8 per pound paid over 10 years. 25 year ban on acquiring quota. (2) for relinquished quota to be reallocated to quota holders or tenants, if applicable, or to other farms in the county or State. (3) payments for lost quota from the base levels for quota holders, lessees and tenants at the rate of $4 per pound with a lifetime limit of $8 per pound. (4) for continuation of most provisions of current tobacco program after redistribution of quota. (5) for accelerated payments if national quota is less than 50 percent of the 1998 quota for 3 consecutive years or certain legislative changes are made.	Contains similar base level provisions. (1) Provides for a complete buyout of all kinds of tobacco over 3 years. (2) Abolishes quotas and permits anyone to produce tobacco. (3) Provides for transition payments to former producers at 40 cents per pound for each of 3 years. (4) Entirely eliminates quota for 1999 crop year. (5) Not applicable.	Not applicable.

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1021 - continued.	For flue-cured tobacco, provides: (1) all quota holders must relinquish quotas for $8 per pound paid over 10 years. (2) payments for lost quota from the base levels for quota lessees and tenants at the rate of $4 per pound with a lifetime limit of $8 per pound. (3) that quota lessees and tenants may relinquish quotas and receive $8 per pound paid over 10 years. (4) for accelerated payments if national quota is less than 50 percent of the 1998 quota for 3 consecutive years or certain legislative changes are made.	Same as above (no differentiation between kinds of tobacco).	Not applicable.
1022 - Industry payments for all Department costs associated with tobacco production.	Provides that all costs of the Department associated with tobacco, other than the operation of the current No-Net-Cost (NNC) loan program, be covered from the Trust Fund.	Not applicable.	USDA administrative costs are not covered in NNC legislation.

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1023 - Tobacco Community Economic Development Grants.	Provides for grants to States to carry out economic development initiatives in tobacco-growing communities. To be eligible, a county must have in excess of $100,000 in income from the production of tobacco during 1 or more of the 1995 thru 1997 marketing years. Provides that 6 percent of grant funds in a State must be used to compensate tobacco warehouse owners.	Similar provisions but funded at substantially lower level ($300 million over 3 years).	No such provision.
1024 - Flue-Cured Tobacco Production Permits.	Adds a new section 317A to the Agricultural Adjustment Act of 1938 which calls for a referenda for redistribution of quotas (production permits). If disapproved, NO marketing quotas are in effect. In general section 317A: (1) redistributes quotas (permits) to principal (actual) producers of flue-cured tobacco based on status during the 1997 crop year. (2) prohibits quota holders who were not principal producers from receiving a permit for 25 years.	Marketing quotas are eliminated - no such provisions.	Production permits would operate similar to current marketing quotas except all permit transfers are prohibited except to direct descendants.

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1024 - continued	(3) forfeited, relinquished, or surrendered quota (permits) may be reallocated to principal producers within the county. (4) provides for similar quota and price support determination from current program including updating national average yield goal, individual permit yields, and expanded county forfeiture (production) pool. (5) prohibits all forms of permit transfers except transfers to direct descendants. (6) modifies tillable cropland to a 1 to 1 basis (was 50 percent). (7) requires that individual production permits be assigned to one or more farms in a county.		

Sections in McCain Bill	McCain Provision	Lugar Provision	Current Tobacco Legislation
1025 - Modifications in Federal Tobacco Program.	Modifications include: (1) referenda on lease and transfer of marketing quota within a State. (2) substantial increases in manufacturer penalty for failure to meet purchase intentions (105 percent of market price). (3) elimination of 1 percent tobacco marketing assessment (TMA). (4) authority for Secretary to adjust flue-cured price support levels. (5) increase in transfer limitations, adds a 2 out of 3 planting requirement, and modifies no-net-cost assessment provisions for fire-cured and dark air-cured tobaccos.	(1) Not applicable. (2) Not applicable. (3) Not applicable. (4) Price supports reduced for all kinds tobacco by 25 percent in 1999, and additional 10 percent reduction in 2000 and 2001. (5) Not applicable.	(1) Currently limited to the State of TN. (2) Twice the NNC assessment rate on purchasers of tobacco. Currently, a minimal amount. (3) Current legislation provides for TMA through 1998 crops. (4) Limited authority (3%). (5) Similar provision in other kinds of tobacco.
1031 - Tobacco Workers Transition Program.	Provides for transition payments for tobacco workers, industry wide. Administered by Secretary of Labor.	Any funding for this program would be covered in the general $300 million transition fund.	Not applicable.
1032 - Farmer Opportunity Grants.	Provides for higher education - farmer opportunity grants for tobacco farm families.	Any funding for this program would be covered in the general $300 million transition fund.	Not applicable.
1041 - General Immunity for Tobacco Producers and Tobacco Warehouse Owners.	Provides for general immunity for tobacco producers, grower associations and tobacco warehouse owners and employees against failure of any tobacco manufacturer, distributor, or retailer to comply with the National tobacco settlement.	No such provision.	Not applicable.

Things to Advance LEAF Act

1. Letter stating LEAF act meets fifth principle. Drafted -- With BR

2. Letter from health/farm coalition stating LEAF act meets its core principles. SENT to Ford

3. Reach out to Hunt (talking points with BR to pass to EB)

4. Coaltion ads for farmers in farm states (set to run Monday)

5. Meeting with farm reps and health grps to lobby members (TF Monday w/ Mangus/ Ballin)

6. List of D's for Glickman to call (Monday from Mangus via TF to Glickman)(Leahy, Harkn Durbin key)

7. Leak windfall info (options -- WP Sunday, give to Ford, hold -- discuss with Ivan)

8. Whip list (TF/Mangus)

9. Farmers to approach Helms, Faircloth

Bruce

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REMARKS BY THE PRESIDENT IN ROUNDTABLE DISCUSSION WITH FARMERS, COMMUNITY LEADERS, AND HEALTH EXPERTS

THE WHITE HOUSE

Office of the Press Secretary
(Carrollton, **Kentucky**)

For Immediate Release April 9, 1998

REMARKS BY THE PRESIDENT
IN ROUNDTABLE DISCUSSION WITH
FARMERS, COMMUNITY LEADERS, AND HEALTH EXPERTS

Kentuckian Warehouse
Carrollton, **Kentucky**

11:08 A.M. EDT

THE PRESIDENT: Well, good morning, everybody. The first thing I'd like to do is thank Mr. Lyons for hosting us, and thank all of you for being here. I thank the members of the panel and also I thank Governor Patton and Senator Ford and Congressman Baesler for being here and riding down with me from the airport. And I thank Lt.-Governor Henry, your State Auditor Edward Hatchett, Senate President Saunders, Senator Blevins, Speaker Richards. And I want to thank County Judge McMurry and Mayor Welty, who came to meet me as well. And again, I'd like to thank Melvin and Brett Lyons for hosting us here. And I thank all of you for being here on the panel.

I know Secretary Glickman has already been down this way and been doing some work, but I'd like to make a few comments about where we are now in the evolution of this tobacco legislation. The first thing I'd like to do is say a special word of appreciation to Wendell Ford. His work on the tobacco bill that's now moving through the Senate I think has been very valuable in trying to provide clear and certain protection to tobacco farmers, to warehouses, to communities without compromising our long-term goal of reducing teen smoking. And I really want to say that he's been talking to me about this for years. He and Congressman Baesler have done a very good job of pushing your interests there in a way that is consistent with what we're trying to do in reducing teen smoking.

I also ought to say that while I'm here, Governor, I think it's only fitting that I begin these remarks by congratulating the University of **Kentucky** for winning the basketball tournament. (Applause.) As you know, Hillary and I were in Africa and I was getting up at amazing hours in the morning to watch these games. I had to watch the championship game on a tape, but that was really good.

Let me also say to those of you who are here and to the many thousands of people outside this warehouse that are listening to us or will be watching this, I am well aware that the people who farm tobacco and who work in this whole area have difficult jobs. I know that it's family work, small farms, hand work; that there was a flood in '97 and, the year before, blue mold which made the work more difficult; and that there is a lot of uncertainty now among people in this community, as I saw up and down the road all the way in here.

Last year, a settlement was announced between the tobacco companies and the state attorneys general to try and settle all their lawsuits with a set of agreements which would dramatically reduce teen smoking and provide some reimbursement to the state governments and to the federal government for the public health. But when that settlement was announced, there was absolutely nothing in there that would protect farmers in the event the overall volume of tobacco sales went down. And so, when I announced my reaction to their proposed settlement and what kind of legislation I would support in the Congress, I said that we had forgotten that and that tobacco farmers deserve protection and that I would not sign legislation that didn't have it in there. And I want to reaffirm that to you today.

Yesterday, some tobacco executives indicated that they were going to withdraw from the discussions with the Congress about legislation, but, despite that, I want to tell you that I believe there's still a good chance we can get comprehensive legislation this year that will not leave the farmers behind. And again I want to say to them, we have no interest, whatever, in putting the tobacco companies out of business. I just want to get them out of the business of selling tobacco to children.

And I think it's important -- I think every American recognizes that the tobacco farmers have not done anything wrong. You grow a legal crop, you're not doing the marketing of the tobacco to children, and you're doing your part as citizens. So what I want to hear from you today is about what you have to say to me that you want me and every member of our administration, every member of Congress, and the country to know about this issue and where we go.

But let me just clearly state again what my concern is. We know that even though it's against the law in every state, 3,000 children a day start smoking and 1,000 of them will have their lives shortened because of it. That's my concern, overwhelmingly. But I don't not want to do anything in dealing with that concern which will not honestly take account of the communities and the people and the families that are involved in tobacco farming.

It seems to me that you have a big interest in actually seeing legislation enacted as soon as possible if it provides adequate protection for the farmers because then we'll be helping the children, which I know you all want to do anyway, and we'll be doing it under terms where you'll actually have some certainty there -- where you'll actually know what is going to happen and you'll feel some level of security. And if the structure of Senator Ford's proposal prevails, then it would, as I understand it, would be consistent with the wishes of over 97 percent of the farmers in this area which voted in the referendum that's required every three years to keep the tobacco program intact.

So I've tried to get prepared and I got an earful on the way down here, as I always do, from Wendell and Scotty and Paul and I thank them for that. So I'd rather spend the rest of the time just listening to you. And I'd like to ask our host to open and maybe explain -- keep in mind, you've got several members of the national press here, too, and they will be reporting this to the country as a whole. And maybe, Mr. Lyons, it would be helpful if you could just very briefly explain what goes on in this warehouse, as if none of us knew anything about it, and how that fits with the tobacco farmers and what your concerns are with the legislation now pending in Congress.

There's a microphone. I think we can turn it up so you can speak into it. If you want to sit, you can; if you want to stand, you can. Do whatever makes you feel most comfortable.

MR. LYONS: Thank you, Mr. President, and we certainly are overjoyed to have you with us this morning. We thank you for coming and giving of your time and sharing with us our concerns.

Mainly, briefly, for those that maybe haven't ever been in a tobacco warehouse before, you're in one now. (Laughter.) And what our function is, we take tobacco from the farmer, and he brings it in, and we weigh it, put it in these piles or stacks, whatever you want to call them, that you see here behind us.

At that time we put them in -- some of you have been in the back -- we had a sale here yesterday, so we haven't had a lot of time to move this tobacco off the floor, but when this tobacco is lined up for the farmer, the government graders come in -- and that is the program that we have now -- they put a price on this tobacco that guarantees the farmer that he will get X amount of dollars for that, regardless of what happens.

Then after that procedure is done, the tobacco companies will come in, and they will -- the auction takes place. And they will bid either over this price or if they refuse to bid over it, at that time it goes to the government co-op or the buyers buy it. Then the farmers will come here to the little office here behind us, and the warehouse will pay those farmers their money. And then at a later date, companies will reimburse us for ours. Each pile of this tobacco sitting here is about $1,200. About four of those piles would take one acre of land to grow. That one acre would return to that farmer approximately $5000. In return, the federal government and the state government would receive around $70,000 in tax money. Without the farmer, this place wouldn't even be here -- it would be worthless. And the warehouseman is totally dependent on the farmer.

That's why we really hope, Mr. President, that we can get some answers before you leave on our program, our quota system, and our price support system. And we bid that you would do whatever you could to continue that program for us. Thank you.

THE PRESIDENT: I want to ask Mr. Kuegel to talk next, but I want to point out because this is one of the things that's important for the American people to understand why we need the kind of approach that Senator Ford has recommended that Mr. Baesler has a bill in the House of Representatives.

You say that this will bring the farmers approximately $5000 an acre.

MR. LYONS: Approximately.

THE PRESIDENT: And what will be the net income to the farmer out of that $5,000?

MR. LYONS: It would vary. Some people are more efficient than others -- probably $2,000, $2,500.

THE PRESIDENT: Now, Mr. Kuegel, you're the President of the Burley Tobacco Growers Cooperative, and yet you've also been involved with the Campaign for Tobacco-Free Kids. So why don't you just comment -- and bring that microphone over closer to you -- why don't you tell us a little bit about the economics of tobacco, what you're trying to do, and how you believe that we can vigorously pursue this Campaign for Tobacco-Free Kids and protect the interests.

MR. KUEGEL: As we told Secretary Glickman last week, we weren't there to save tobacco, but what we're there to do is to save our family farms. But to separate the two is nearly impossible. Without tobacco in the state of **Kentucky**, we will lose half of our family farms. It's that simple. There is not an alternative crop. There are enhancements. There are other ways to make some money, but nothing that will keep our family farms there.

We began working with the health groups and trying to see if there was some common ground that we both could agree on. Certainly there was one in that nobody wanted youth access to tobacco. Farmers don't want youth access to tobacco. If we had the ability to destroy that part of our crop in our field, we would do that, but obviously that wouldn't do much good because that's not the point at which the youth access the tobacco products. So we have that in common.

We met for five or six meetings in Washington and other places and were able to develop 10 core principles. Those core principles are statements that both of the groups could agree on and basically start communication. We have done that, we've been very successful with it. We have another meeting next week in which I hope we may be able to endorse the entire body of Senator Ford's Leaf Act. The Leaf Act represents many of the ideas that we came up in that core of principles, including a way to get economic development into these areas that are going to be hit. As consumption goes down, a town like Carrollton is going to be hit, and there's going to be a lot of pain here. And we need ways to make agricultural developments here, make economic developments here.

Within Senator Ford's package is an educational package that allows anybody associated with the production of tobacco to educate their children -- secondary education - unheard of before in agricultural communities -- something that we really, really need.

This tobacco program that is the mainstay of the Leaf Act of what Senator Ford has developed is so, so important to us. Nearly a million pounds of tobacco was sold here in Carrollton yesterday, and a company did not bid on one single pile of that tobacco. The co-op that I am president of and that all of the farmers own together will process all of that tobacco and hold it for sale at a later date. Every farmer that received money out of that million pounds yesterday got money from the tobacco growers cooperative.

And that is the mainstay of the Leaf Act. That's what protects us -- that's the shield. That's the only thing that's kept us from the companies. That's the only thing that protects us from them coming down. It's not like most agricultural commodities where you have several buyers -- we only have three or four. And so we have to have that protection to remain viable. Without that protection, we become an appendage of the tobacco companies, and we're completely at their mercy. And I don't think that Congress or this administration or the American people want that to happen. The Leaf Act protects us from that.

THE PRESIDENT: And basically, it protects you by preserving the structure of the program you now have, so that when the co-op buys the tobacco, the farmers get the income immediately. The co-op holds the tobacco in storage until market conditions support the release of tobacco, its sale at an acceptable market price. Isn't that right?

MR. KUEGEL: That's right. What really concerns us as producers right now is there are some other alternatives being offered in Congress -- one of them Senator Lugar's plan that simply buys the tobacco farmer off and gives us no program. We've become that appendage of the tobacco companies, and there's no supports, no guarantees, no way to be able to produce a high-value as tobacco and keep our family farms viable. And we would ask that you interpret that that's not taking care of tobacco farmers, and that that doesn't support your elements of the key principles.

THE PRESIDENT: Well, based on what I understand --and I agree with you about that -- I want to just make sure everyone understands this -- the way the Ford bill works -- and Wendell, if I make a mistake, pipe in here -

SENATOR FORD: You can bet on it. (Laughter.)

THE PRESIDENT: Poor, shy man. (Laughter.)

The bill offers an up-front, generous buy-out proposal to people who want to get out, and the assumption is that there will be some, older people or others, who want to get out and that would, therefore, reduce the total number of producers. Then it keeps the program in place. Then if at some future date, the demand goes even below that, there are substantial transition payments and assistance payments offered to communities, warehouses, and farmers.

And along the way, there are the kind of education and training benefits offered that we provide, for example, the people that are displaced when there are trade changes, changes in the American economy caused by trading flows that may benefit the overall economy but disadvantage people, so we owe them an extra bit of help to get started.

And I think there are two points to make here to those who would be skeptical about the approach that is being advocated. The first and the most important one is the one you've already said -- at least to date, no one has figured out how to tell a tobacco farmer with a straight face that you should produce another crop and we will facilitate you getting into alternative crop production. The average farm in **Kentucky** is how big? Four acres, five acres?

MR. KUEGEL: Average tobacco production.

THE PRESIDENT: Tobacco production -- not farm, but tobacco production. There is no known crop with the same income per acre. So if you were going to pay somebody to transition, one of the things you'd have to do is buy them all a whole lot more land. And I think that's a very important point to make.

The second point that needs to be made is, if you dismantle this program, you would not end the production of tobacco. You would end the ability of all these family farmers to produce tobacco and you would probably create a structure more like what you see in some parts of California, where the ultimate processor in California, food processor -- in this case the processor would be the cigarette companies -- would control the farming and everybody would be a hired hand. And the income would all flow up except for a salary.

Isn't that basically your conclusion of what would happen?

MR. KUEGEL: I don't think there is any question that's what would happen. And it would be inevitable with Senator Lugar's bill if it does away with our tobacco program.

THE PRESIDENT: So I think it's very important for the members of the Congress, the members of the press, and people out in the country to understand that we don't want to be guilty of the law of unintended consequences here. What we're trying to do is improve the public health, cut teen smoking, get enough money into this program to deal with some of the larger health consequences in our society that have already developed. But we need to think a long time before we break down the structure that you see from the Cincinnati airport -- which is in **Kentucky** - all the way driving here. And I think it's very, very important because I think this is a not very well-understood point.

I'd like to call on Amy Barkley, who is the Director of the Coalition for Health and Agricultural Development and invites public advocates actually working with farmers to address both the health and economic issues. Amy, would you like to say anything about what we're discussing here?

MS. BARKLEY: Yes. First, Mr. President, I'd really like to thank you on behalf of all health advocates in **Kentucky** for your strong stand against youth smoking. Really, it's historic. We know no U.S. president ever has taken the stand that you have, and we really appreciate it. And also, you coming here does prove that you're also interested in the economic health of our family farmers and of our rural communities. And we share that dedication to both issues. And we hope that are ways to protect both children and farmers.

And Rod talked about our joint efforts on the youth smoking issue, but also the tobacco program is another area of common ground. Health advocates in the tobacco-producing states have supported the tobacco program or at least some type of price support and production control program, for all of the reasons you mentioned. It's really in our interest to see that the production is controlled and that people don't become direct employees of the cigarette companies. And we really do recognize that at this point all of our family farms do exist in many cases because of tobacco and the reliable income that it provides.

But we are also strongly committed to moving away from this tobacco dependence. And that's why we we're delighted to see that Senator Ford included a voluntary buy-out in his bill. That was kind of the only sticking point for us. We felt like farmers in **Kentucky** in some cases are in a tobacco track and they need the ability to be compensated for their quota if they want to get out.

So I think it's been really productive, this relationship that we've had with the co-op and Karen's organization and many other agricultural groups in **Kentucky**, because there is no one in **Kentucky**, no matter how deeply they are rooted in the tobacco culture, that wants kids to smoke. None of us health advocates want to take tobacco out of the dictionary or drive people off of their farms. We just have to really get creative. I know it's not going to be easy, but we have to figure out a way to reconcile both. Because, as you know, the future health of our children depends on it, and we also recognize that the future of our family farms depends on what happens on this issue.

THE PRESIDENT: Let me ask you a question that I didn't ask Robin, and anybody feel free to comment. One of the things that occurs to me is, if we allow this program to lapse - let's suppose we have some version of the McCain bill. Now, the fight is going on now in Washington with tobacco companies as they say that it raises a lot more money from them than we had estimated. They say it will raise the price of cigarettes even more than we had estimated. They say it will cut consumption more than we had estimated. Therefore, they say they will be at great risk and it's inconsistent with the original agreement.

And so we've got to work through all that. But one of the things that -- the provisions for the tobacco farmers get almost no notice, but it occurs to me that if we were to abolish the program altogether, give everybody some sort of a cash payment for their allocation, and then just abolish the program, then what you think would happen I think would happen -- first of all, that there would be no restrictions on production. And what

I think would likely happen is there would be more tobacco grown at a lower price, which would make it uneconomical for you so the companies would take it over directly.

But from the point of view of our public health objective, if more tobacco is grown at a lower price, that undermines our desire to make a pack of cigarettes high enough in price that it will be part of what discourages children from smoking.

It seems to me that that's the public health angle here that someone like you, Amy -- we need this highlighted from a public health point of view so that people in the vast, vast majority of our country that don't know anything about tobacco farming, don't have a dog in this hunt, and don't understand it, and don't want to make sure we're not doing something funny here -- they need to understand that, ironically, if we dismantle this program, we might undermine the goals of reducing teen smoking.

I'd like to call on Mattie Mack now to talk a little bit about this from the point of view of an individual farmer. She's had an interesting family history on her farm, and I think I'll let her tell it to you -- especially since we've apparently gotten her a local reporter in here. (Laughter.)

MS. MACK: Thank you, Mr. President. I figured when you got here things would be changed. (Laughter.) And I thank you very much, just like you will change this idea of this tobacco.

I am Mattie Mack, from Brandenburg, **Kentucky**. I own 100-acre farm, and I've been married 40 years. And I have four children that I educated, three at Tuskeegee Institute, Alabama, on tobacco. And I've served on the Federation of Southern Cooperative Board and I raised 38 foster children on this 100-acre farm in the period of '64 to '92. None of those children smoked. My four children did not smoke. I don't smoke. My husband don't smoke. And we are against children smoking, Mr. President, but we shouldn't be penalized on account of children smoking.

Now, it takes the parents -- it goes back to the parents to raise their children in the way they should go. And when they get older they will not depart from it. And you have to be able to teach these children. You can't depend on the church doing it all, the parents are going to have to teach these children the right way about this tobacco. Tell them there's the right way and the wrong way. There is a wrong way in having a gun, there's a wrong way in drinking whiskey, and everything. All of these children have to be taught.

I never had a child go to jail on tobacco or alcohol because I never did have any in the house. And so I look at tobacco as being good to us. It paid for our 100-acre farm.

Mr. President, back there in 1962 we couldn't go to the bank and borrow money. They wouldn't let us have it. Well, we had to do something. What were we going to do, now we got this farm, we are in debt and we've got three little kids. My husband had to work off the farm. I had the responsibility -- I put my kids in the cart, put them under a shade tree, and I worked that ground until it was ready to soil. And tobacco has been good. We paid for our farm off the tobacco. We educate our kids off of tobacco. We paved our old driveway with black-top on tobacco. We pay our property taxes. We pay the preacher on Sunday morning -- we can't leave him out. (Laughter.) We pay for our fertilizer. We overhaul our tractors and our wagons and we buy tires. We buy diesel fuel. We buy the fertilizer. You know, the farmer has a hard time.

Things when you go to buy are so much higher, and the farmer raises it and you go to sell it, but you can't come out if things are going to go higher and the farmer gets the same amount on tobacco. You know something is going to have to give. Something is going to have to give on this stuff.

Now, we raise hogs. Hogs are as cheap as dirt. And we feed them, Mr. President, and they don't bring nothing, and that's a stinky, smelly job. And we have cattle. Well, they're not up to par. They ain't bringing nothing. And the only thing that we look forward to is tobacco, end of the year, so we can have a little Christmas, have the grandkids to come down, and play Santa Claus. This is the thing that we look forward to.

We pay, like I said, property taxes. We pay our insurance. And we pay the man to help us on the farm, and we pay his Social Security, and we pay his Medicare. And we just try to live right and do right on tobacco.

Now, tobacco is also to be paid by the farmer. We pay the support price. We pay for it to be sold. We even pay for bringing it up here on the floor. And tobacco pays for itself. The farmer is doing all of this. And I can't see why they want to raise the pack of cigarettes, and the farmer still working hard, and we don't see nothing. And that's not right.

Now, you can take tobacco. I don't care if you put out 200 acres of tobacco, and put it out there, and just leave it alone. That tobacco ain't going to grow by itself. We need Almighty God to send the sunshine and the rain if this tobacco is going to grow. And that's the way it is we raise the children. If you're going to raise children, you got to sit down and you have to talk to those children and put God in them, take them to Sunday school and church, and let them know, this is the rules and regulations that God requires, and this is what makes children grow, and this is what makes children decent senior citizens of this world.

Now, you can't do anything without God. Nothing. You can't do a thing without God. And so if these people -- I'm against children smoking. I'll tell you, it hurts my heart when I see them. But cutting out tobacco is not going to help a thing, because they going to go to something else.

If I was riding down the road and I met a young man coming up the road smoking, I will pass them; that's fine. But if one is coming up the road drinking or got a gun, I don't know which way I would go, because you never know. So that's how bad it is. We holler on tobacco, and tobacco, like you said, it's a legal crop, Mr. President.

Now, the farmers, it would be devastating in my town -- I'll talk about Brandenburg because I'm affiliated with the **Kentucky** Minority Farmers ever since '82. And these old farmers look forward to putting that tobacco out and getting it to the market and to be able to get paid right then as you bring it to the market when it's sold. And they wouldn't have nothing to pay bills with without tobacco.

If they have something equal up to tobacco, that's fine. We'll drop the tobacco. But we got to have something to bring up to the expectation of tobacco. So, Mr. President, I feel that we -- it disturbs me when we're taking care of the whole thing and the people are harping on it. If you look at it, tobacco ain't only bad, it's good, just like anything else.

Thank you, Mr. President. (Laughter.)

THE PRESIDENT: You guys didn't oversell it. (Laughter.) It was just like you said it would be.

Let me call next on Karen Armstrong Cummings, because she's the managing director of the Commodity Growers Cooperative, which develops markets for family farm products. And they're interested in preserving the future of small farms.

So how are we going to preserve the small farms and do something about teen smoking? What options are there?

MS. CUMMINGS: Mr. President, again I'd like to thank you, as others have, for your being here and for your leadership on this issue. I think your question gets right at the heart of what both Rod and Mattie were saying in this coordination with the health organizations. We need to preserve the tobacco program.

In working on the National Commission on Small Farms that Secretary Glickman set up this past year, we looked at this whole issue of all of the federal policies and programs that have really caused small farmers not to be able to get a fair price for their products, just like Mattie was talking about. The prices on swine production and on cattle -- there is an enormous amount of federal program and policy that is really focused on the whole idea of get big or get out of agricultural. It's not been that way with the tobacco program. The tobacco program has been able to keep the small farm system intact, as the previous speakers have said.

So we came up with over 140 recommendations that are in the National Commission on Small Farms Report, which I'm sure -- has Secretary Glickman discussed this with you, Mr. President? We came up with over 140 recommendations in all program areas of ways that USDA could redirect their effort in market development, in encouraging rural cooperatives such as Mattie was talking about -- she works with the Federation of Southern Co-ops -- in directing economic development toward farm-based rural development, toward economic development that really respects the small farm system that we have in this region of the country and that really gets USDA's policies focused on the family farm --not on corporate agricultural, not on the types of assistance for contract production that we see many farms moving into because that's what they see as an option because of a lack of support systems that are out there.

So we've got all those recommendations in there. And in the specific section on tobacco, there are two recommendations. One, it says that the USDA should work with your office and other federal agencies to examine the success of the tobacco program and what we've learned from the tobacco program in keeping the small farm system in place, so that USDA and others could advise Congress.

As a matter of fact, in that portion of the report it says it's not just the crop to which there is no alternative, it's the tobacco program. And we talked about that so much that it reminded us of your friend, Jim Carville, who said, "it's the economy, stupid." So we said, "it's the tobacco program, stupid." So we would like for you to join us in talking to the senators who are pushing some sort of alternative to do away with the program that it's the tobacco program that has kept these in place. And that's the main point that we need for the small farm system in this part of the southeast. We need to really set up the USDA programs and the state and local programs, where farmers can get a fair price for their product. We can do that in tobacco. We can do that with other USDA programs if we just really take that focus.

THE PRESIDENT: Thank you. This is really not exactly the time or place for this, but if you get beyond tobacco and you look at other small farm issues, the reason this program has worked for small farmers is that you've had -- first of all, you've had an allocation system which keeps the price within some bonds, although it varies still quite a bit as all of you know, depending on weather conditions and other things.

And because you've got this co-op system that really works to give the farmer cash money on the front end, even if the big tobacco companies, cigarette companies, don't pay you right away, the co-op will. And, I think we really need to look at this again. It's off the subject we're here to meet about today but before I leave office in 2001, I really hope that we will have been able to set up an alternative framework of policies that will enable family farmers who live in places where this is not even an optional crop, where they've got to do something else, and where they're doing what most tobacco farmers do -- they have some income from off the farm and some income from on the farm to be able to continue to do that.

The whole theory behind this whole -- going to a completely free market in agriculture was that you would get more efficient production. But the truth is the family farmers that have been put out of business, by and large, have not been put out of business from inefficiency of production, they have been put out of business because they didn't have enough cash to stand the bad years. At least that is my belief. That is what I think based on my experience in a totally different agricultural environment.

MS. CUMMINGS: That was in our findings as well, that some of the areas that really needed to be looked at was access to capital and the whole lending system. Another area was the concentration of agricultural markets, which Secretary Glickman has been doing some work on, I know. But we also made a recommendation -- again, this is not directly related to tobacco, but most tobacco farmers were also beef cattle, dairy farmers --they're engaged in other types of production. And we want to strengthen that entire small farm system like you talked about.

One of the recommendations that we made that I really wanted to bring to your attention was a recommendation for a presidential commission on market concentration to really look at how the concentration of markets in the agricultural sector has caused us not to be able to get the prices for beef cattle, for swine, for poultry, for other types of operations that we also rely on in this part of the U.S.

THE PRESIDENT: If you look at how you sell cattle, or especially how increasingly hog operations are going, and you compare that to how the tobacco co-op works as a buyer of last resort, so that the cash is transferred to the farmer immediately and someone else basically is holding the crop until it can be sold and paying the price of holding the crop -- I mean, it gives you some idea of what -- it would be good if we could figure out a way to do.

Now, it's very different with live animals. You still have to feed, you still have to -- they don't warehouse too well and you still have to feed them. So I don't -- none of these issues are simple. If they were simple we wouldn't have to worry about them. But I do think you made a good point.

And I want to get back to the subject at hand, but I promise you I'll spend some time on this because it's very important to me to see that we don't lose every small farmer in America just because of the structure of the money economy, the finance economy, as opposed to the efficiency of the operation. I'm not interested in protecting any inefficient operators who can't compete, but I have seen enough crops come in now over the course of my life in enough different areas to believe that it's more the way the money economy is structured and the way the products are brought to market than the efficiency of the farmer that's changed the structure of farming.

The reason you've got all these small farmers here is you've got the allocation, the limited production, and the cooperative buyer. I believe that.

Mr. Sprague, do you want to go next? You're the President of the **Kentucky** Farm Bureau, and I understand you're a fifth generation farmer. And you have 3,000 acres of crop; that makes you a big tobacco farmer -- it makes you a small rice farmer in Arkansas and a big tobacco farmer in **Kentucky.** (Laughter.)

MR. SPRAGUE: Thank you very much, Mr. President. I own 3,000 acres. I don't raise that much tobacco. That would be a big crop, for sure. Let me thank you for coming here. I think your visit here shows that this national debate that we have on tobacco -- we need to put faces on that, and that's what we'd like to do.

It's very easy to talk about punishing the big tobacco companies for their evil doings down the way, but what we want to show you -- that this gets back to the people. And we have 60,000 hard-working family farms in this state that depend very heavily on a tobacco crop. And these people generate about

$1 billion worth of income for the farmers during that process here in **Kentucky**. And that money is all spent in our rural communities, and it generates -- economists say -- three or four times as it goes through the economy.

So not only are we talking about farmers, we're also talking about small business people, our agricultural suppliers in our rural communities, our car dealers, our grocery stores, our hardwares. When we talk about dismantling the tobacco industry we're talking about the influence it has on many, many people in our community.

And I know you -- you almost made my speech for me there earlier, but I think the tobacco community has made it possible that **Kentucky** has been able to maintain the structure of small farms. It's not anywhere else, I guess, in the country that have been able to maintain this structure, because of our tobacco program and its ability to generate enough income for farmers to stay on the farm and, at the same time, be able to make a living for their family and also the money it generates in keeping our rural communities going.

I think the biggest thing our farmers are concerned about is this uncertainty in the whole tobacco industry. So that's why we are in favor of some resolution to this national tobacco situation. We think we need a policy at the national level that will give some stability to the industry, and as that comes back to us as farmers.

It's very difficult for a farmer to make a long-term plan on his farm -- how much he should invest in barns or equipment -- not knowing next year what's going to happen to our tobacco program. So therefore we think -- we believe that we should have a policy, and this policy should give some stability to the industry. And it should promote our best interests and not punish us for our best efforts.

Mr. President, what we need is your leadership at this time. This issue has become politicized between Democrats and Republicans. We need somebody of your stature that can take this thing by the throat and push it through. It's at the time when we definitely need some kind of direction from the White House and your administration to see it gets done.

Senator Ford, Congressman Baesler, our Governor Patton and other members of our congressional delegation have worked hard to make sure that the farmers are into these mechanisms that are being talked about in the legislation to take care of us. But the thing that worries us, in this legislation, we have to be fair in that we cannot afford to bankrupt our tobacco companies because, if that happens and our industry is shut down, we're not going to have any of this money to compensate the states and the federal treasury or growers.

I think, as many of us have said here, there is not a tobacco farmer that doesn't believe that we need to reduce youth smoking. We're all in favor of that. And we felt strongly that many of the provisions in the original settlement that went as far as reducing the advertising -- restricting advertising, restricting marketing, the educational programs -- we felt some of those things were a very good start in reducing the youth smoking. And we would hope that under your leadership we could get back to some of those principles to reduce youth smoking.

I think, as all of us have said, though, many of us believe that this responsibility goes back to our parents. And I know my father was a smoker, and he made a big deal with us as kids that he'd give us $1,000 if we didn't smoke by the time we were 21. And it worked. I've often thought this might be a cheaper deal than what we're talking about today -- (laughter) -- if we could work something out on that.

But, Mr. President, what we're asking for you to do is to take your leadership and give us a fair and equitable treatment. We agree with you strongly that we need to reduce youth smoking, but we can't afford to completely dismantle our tobacco industry. It means too much to the citizens in **Kentucky** and North Carolina and seven or eight other states.

So we would ask you to give it your best shot, and I think we can get this thing back on the train and win both objectives -- reduce youth smoking and still have an economic industry that we can all be proud of in **Kentucky**.

THE PRESIDENT: Let me, if I could -- and I would invite -- I know I've got two more panelists I want to call on, and I would invite any of you to kick in -- you have stated a sort of summary of where you are and where you think the farmers are so well, I think it might be worthwhile to go back to the beginning here.

Let's remember how this whole thing came up. There were two things going on. First of all, the federal Food and Drug Administration opened an inquiry and found, as a factual matter, that there was an effort made to market tobacco products to young people; that it was not only against the law but it was likely to become more addictive to them if kids started smoking when they were young rather than if they started after they were adults when they might use it more in moderation and all that, and that the health consequences were considerable. That was the finding.

Simultaneously, they had a number of states that filed suits against the tobacco companies, claiming that they had marketed cigarettes to children in violation of the law all these years, and that that had led to not only injury to the individuals, but vast costs to the states through their medical programs. And then were the private lawsuits, the people that got lung cancer and all.

And all these things came together, and the tobacco companies and basically the state attorneys general and the representatives of the private plaintiffs came up with their proposed settlement in which they agreed, among other things, to pay more money to defray some of the health care costs, to run up the price of cigarettes some to make it less attractive, and to reduce -- change their advertising practices.

But in order to get all that done, comprehensively they had to pass a bill through Congress because they also have to deal with the federal Food and Drug Administration program. So now we're in a situation where, as you pointed out, there are lots of different agendas here and lots of different things going on.

I do believe, however, that there is a bipartisan majority of people in the Congress in both Houses, in both parties, who honestly just want to do as much as they reasonably can to reduce smoking by young people as quickly as they reasonably can, in a way that does not put the tobacco companies out of business, and even more important to most of us, is not duly unfair to you.

So what you're saying to me is that right now the uncertainty is the worst enemy you have, and what we need is to get this thing done in Congress this year, do it in a way that achieves our goal of driving down teen smoking as much as we can, as fast as we can, and let you know what the rules are.

Now, let me ask you just specifically -- I mean, I assume you believe this, but you didn't say it explicitly -- it seems to me that the greatest balance of certainty for the farmers in our efforts to reduce teen smoking is in some version of what Senator Ford has proposed. That is, if you assume that -- let's just assume that through whatever means -- the American Medical Association, for example, says that because there are so many kids out there more or less on their own, that the advertising has a bigger impact on inducing kids to start smoking even than peer pressure does. So if you assume all that, then it seems to me the best proposal is something like -- something that would offer a buy-out that is generous and fair and adequate to people that want to get out because there is no easy substitution, as all of you have said.

Then for all those that don't get out -- because you assume that if all the kids start -- if you cut teen smoking in half, then, within some number of years, the aggregate demand for tobacco in America will go down. So some people get out and you pay them a legitimate price to get out; then the other people who are still in operate under a program that controls production and gives the family farmers a chance to survive. That's basically what Wendell wants to do.

And, in addition to that, since maybe there won't be enough people get out for the market reduction -- we don't know that -- it also provides a structure within which you get aid to warehouses, aid to communities, and aid to individuals for continuing education and training, as I've said, just the same way we would with people that are dislocated from trade. If we pass something like that, is that the best thing to do? I mean, is that basically what you would recommend that we do?

MR. SPRAGUE: Yes, I think so. The other big component of this is that we export about half of our tobacco, and any efforts to reduce those exports would be very detrimental to our farm people. And we in the United States are really a small producer of tobacco when you take all the world's population.

So to think that we are going to stop smoking because we quit exporting tobacco is really a little ridiculous when we're such -- really a small-time player in the whole world of production. So we need to keep those channels open. We can stop it here in this country, but all we're doing is giving the license for farmers in Brazil or Malawi or some other place to raise more tobacco. And that's exactly what they're doing. When we stop, they raise more.

So we in **Kentucky** are set up -- we have adequate soil, climate, manpower to raise a premium crop and one that the world -- it's in demand. And so we would like to be able to keep continually doing that.

THE PRESIDENT: Okay. Marissa, would you like to talk a little bit about how you view this issue?

MS. VAUGHT: Sure. Back in 1983 I had a grandmother who died of cancer, as you know, and it did affect me. And I think that I'm totally against teens who decide to smoke. But I've lived here in **Kentucky** all my life. I've been born and raised here. And I feel that tobacco farmers are going to be in trouble when you decide to raise taxes on smoking. I think that basically it is going to make a lot of tobacco families lose money, and it's going to make it a lot harder to put food on the table.

But on the other hand, I do think that teens need to understand more about the consequences of smoking before it's too late. Like my grandmother, she got cancer. No one really knows the consequences when they're that young. You just want to live, you know. And I think that as an adult, it's better if you decide then. Children need to know the consequences of smoking.

THE PRESIDENT: What do you think the most effective -- I should say that Marissa is, I think, a junior at Carroll County High School -- is that right? What do you think the most effective thing we could do to reduce teen smoking? Let me just say, there are lots of people who think the most effective thing you could do is just make cigarettes a lot more expensive. There are other people who think the most effective thing you can do is to stop the cigarette companies from doing any advertising that could be specifically or extra appealing to young people. Then there are people who think that there is nothing you can do except to try to get the parents and the religious leaders and the community leaders to try to teach kids not to do it in the first place.

What is your sense of what the most effective thing that we could do to discourage your peers from beginning to smoke?

MS. VAUGHT: Basically, the most I've heard is disciplinary action for teenagers. But I was a teen myself - I'm not into discipline that much. I mean, I think that positive influence like maybe things that children can look forward to by being a non-smoker helps more than having people say, well, you're going to get punished for smoking this, and you're going to get fined for doing that. I'm sure they've all heard that, but I don't think they've ever heard a reward for being a non-smoker and choosing not to smoke.

THE PRESIDENT: Do you believe that most teenagers actually do know and believe that it is dangerous?

MS. VAUGHT: I do believe that they actually do. But sometimes people really don't care.

THE PRESIDENT: When you're 16 you think you're going to live forever, don't you?

MS. VAUGHT: Exactly. They don't know -

THE PRESIDENT: I did. (Laughter.)

MS. VAUGHT: -- what's going to hit you. Consequences are hard and they do come fast and slow. They think they're going to live forever and, I'm going to die anyway. But it's how you die that is important. I think that your health and safety is important, especially on teens.

THE PRESIDENT: So you think if we could -- that's what Bill said. He said, if his daddy gave him $1,000 if he didn't smoke by the time he was 21 -

MS. VAUGHT: Yes, that's positive incentive.

THE PRESIDENT: So you think a positive -- some sort of positive incentive program would be effective?

MS. VAUGHT: Exactly, I do think that. It worked for you, obviously. It works for teens.

THE PRESIDENT: Thank you.

Dr. William Goatley is the pastor of the First Baptist Church in Eminence, **Kentucky**. I thought we ought to give him a chance to say whether he thinks the religious community should have any role in this whole issue.

Doctor?

DR. GOATLEY: Mr. President, I'd like to say three things during these two minutes. First of all, I'd like to say that 40 years in this community has enabled me to see change in the tobacco economy. I've had people who have and are farmers. I have people who had labored on the farms. I have people who are part of the manufacturing industry of tobacco. And for all of these people, tobacco is a way of life, and it is a type of livelihood. I think your being here means that you are sensitive to the reality that tobacco is a way of life and a livelihood for many people. Secondly, I have seen people who have moved into alternative employments over against the three categories that I have just listed.

And the reality is there is going to have to be some type of alternative within the tobacco economy. Thirdly, I feel that you are on a crusade to steer youth away from becoming addicted and enticed into this fad of smoking, and I hope you will stay on your crusade. So we welcome you to this part of **Kentucky**, where tobacco is still a king, and all of us are aware of the challenge that is before us -- the challenge to create a kind of livelihood and way of life for these three categories of people that I have just mentioned, among whom I have worked for 40 years.

THE PRESIDENT: Thank you very much. That was a very moving statement to me. No one knows exactly why, but, for whatever reason, we know that teen smoking has, in fact, been on the rise. And the overwhelming -- I say again, we can't lose sight of the big issue -- the overwhelming evidence is that 3,000 children begin to smoke every day, and 1,000 of them will have their life shortened because of it, and that the rest of us as taxpayers will pay enormously for them. But the most important cost is human, not economic.

And the question is whether we can pursue a reasonable course to deal with that and deal with the human reality of the livelihood and the life and the structure of life that all of these fine people have been talking around the table and described today.

I think the answer is yes. And as I said, I think, ironically, trying to preserve the structure will actually - since no one suggested tobacco is not a legal crop and that adults should not be free to buy it, that that is not a position advocated by anybody -- nobody's advocating prohibition here - ironically, it seems to me, that our objectives in reducing teen smoking by making it both more expensive and less attractive in other ways, and dealing with the advertising is actually furthered by preserving this program because it will reduce production and keep the price up.

If you abolish the program, you put a lot of these folks out of business, but you will not reduce production. You'll probably increase production, lower the price of tobacco and, therefore, make cigarettes cheaper, notwithstanding whatever we do with the tax or a voluntary payment or whatever we wind up calling it when Congress acts.

So, anyway, I thank you for that. Secretary Glickman, would you like to say anything?

SECRETARY GLICKMAN: Well, Mr. President, it's hard to be any more eloquent than the folks have been here. I had the privilege of being here last week. Governor Patton says if I come one more time, I will be subject to **Kentucky** income tax. But I appreciate the hospitality of the folks here.

I just came back from a week doing a farm tour around the country -- it was fascinating. The only place in America where there has not been a major diminution in the number of family farmers is in tobacco country. The numbers in dairy, wheat, corn, soybeans, rice, cotton, even livestock show over a period of years a rapid reduction in numbers. A lot of it has to do because individual farmers don't have the clout to bargain or to negotiate with the people that they sell to like you have here.

So I clearly think that a good case is made for, in the context of the goal of reducing teen smoking, of maintaining a program structure which allows that kind of arm's length relationship to continue between the grower and the people that they sell to.

And I also believe -- Karen was on our Small Farms Commission; they have many, many good suggestions -- that in the context of Senator Ford's bill, I think that the great burden flows upon USDA to work with communities, farmers, and people to try to develop alternatives, not so much -- I'm not talking about cropping alternatives right now, but I'm talking about economic development options, programs to help people as we do our rural development programs all over the country, promoting rural cooperatives and doing the kinds of things to deal with quality of life that may be affected by this. But I think that can be done, and I look forward to working with the folks here to see that it is done.

THE PRESIDENT: Let me just make one other request of all of you. I will certainly try to do what you've asked me to do; that is, I'm going to do my dead-level best to get the legislation passed this year that will not only dramatically reduce teen smoking, but will provide some certainty to you and some legitimate protection for the tobacco farmers and the warehouses and their communities. So I will try to do that.

But let me ask you to do something, because you've really piqued my interest here, both what our pastor said and what Marissa said, what you said, Bill, what you said, Mattie, about parents' responsibility. I have spent quite a bit of time with young people's groups, the youth organizations all over the country, from New York City to small towns in California, of young people who are organized to try to get their peers not to smoke and who also often go from store to store to store to test whether the sellers of cigarettes are actually even making modest efforts to do anything about it.

And I respect that because I think it's wrong to put all the responsibility here on the manufacturers. It's not like these children and their parents and their families and their schools and their churches are just ciphers that have no will, have no knowledge, have no nothing. I mean, they get up every day and go through life, too. And I wish you would get some thought to -- as a practical matter, I don't know that the government could offer every 18-year-old $1,000 on their 18th birthday if they could prove they never smoked a cigarette, but there may be some other things we could do in the area of getting young people to assume more responsibility and providing some rewards and doing some things that we haven't thought.

And, Marissa, the other thing, we may not have been as creative about that whole element of this as we can be, and I'd be willing to think about that.

MS. VAUGHT: There is a teacher who talked to me about this, and he said maybe college scholarships for non-smokers, maybe a non-smoking scholarship for students who happen to do well in school and are non-smokers.

THE PRESIDENT: We'll look at that. We'll figure out what the cost of that would be. You may be right; it may be cheaper than some of the other stuff we're doing. (Laughter.) I'll do that, I'll look into that.

You were great all of you. Thank you very much. Let's give them a hand. Weren't they great? (Applause.) Very impressive. Thanks.

END 12:14 P.M. EDT

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FORD MAKES MODIFICATIONS TO STRENGTHEN "LEAF ACT"; EXPECTS PROPOSAL TO BE IN PACKAGE FOR SENATE DEBATE

WASHINGTON-- Bringing together burley and flue-cured growers, U.S. Senator Wendell Ford (D-KY) today said he has made some modifications to his "LEAF Act" that will "solidify and broaden the support" necessary to have Congress pass the proposal.

With the Senate Commerce Committee set to begin marking-up the proposed tobacco settlement legislation next week, Ford said it was imperative to have the strongest broad-based farmer protection package ready for inclusion in the final bill.

Ford noted that he fully expects the Committee to include his proposal in legislation that will be debated on the Senate floor in the coming weeks.

"These modifications to the LEAF Act broaden and strengthen our support while still holding to the principles we've always fought for: maintaining the quota program, fair compensation for lost quota, and providing a safety net if the program is threatened or eliminated in the future, all while remaining fiscally realistic," Ford said.

The modified LEAF Act incorporates some changes in the flue-cured program as advocated by Senator Charles Robb (D-VA) and other flue-cured representatives, such as transferring quotas from inactive quota holders to actual producers.

For burley growers, the LEAF Act would allow a quota holder to relinquish their quota in exchange for $8/pound, payable over a period of ten years or less. Unlike a proposal by Senator Richard Lugar (R-IN), that quota could then be reallocated to a farm owned by a quota lessee or tenant if they were the principal producer of the tobacco.

Another modification would specifically earmark a portion of economic development funding for tobacco warehouse owners.

"I've listened very hard over the last several weeks to growers and have tried to incorporate every constructive idea, so long as it didn't run into unrealistic funding requirements.

their communities, while producing a package that ... Congressional approval. I think this is that package, and I'm going to do all I can to see that it becomes law," Ford said.

In addition to Ford, Senators Ernest Hollings (D-SC) and Bill Frist (R-TN), the other two tobacco-state members of the Senate Commerce Committee, are supporting the legislation.

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Summary of Proposal

I. Payments to Farmers

- TYPES OF TOBACCO OTHER THAN FLUE-CURED
  - √ All quota holders given one-time option to relinquish quota and get $8 per pound over 10 years or less
  - √ Remaining quota holders get payments to the extent quota falls equal to $4 per pound for every pound quota drops, with a lifetime limit of $8 per pound times the entire quota (as under original LEAF Act)
  - √ Lessees and Tenants get (1) option to acquire relinquished quota (if any), and (2) payments to the extent quota falls equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the entire quota
- FLUE-CURED
  - √ Quota holders relinquish quota and get $8 per pound over 10 years or less
  - √ Active quota holders will be issued permits limiting right to produce future crops
  - √ Renters and Tenants get (1) permits limiting right to produce future crops, and (2) payments to the extent national quota falls equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the entire quota (as under LEAF Act)

II. Costs Incidental to the Program

All USDA costs associated with tobacco are paid out of a tobacco growers trust fund, including administrative costs, crop insurance, cooperative extension service costs, and any other costs, as calculated by the Secretary.

III. Farmer Opportunity Grants

Quota holders and active tobacco producers and their families are eligible for higher education grants of up to $1,700 per academic year, adjusted upward every five years by $300. Academic eligibility is modeled after Pell grants, and program is administered by the Secretary of Education.

IV. Benefits for Displaced Workers

Up to $25 million annually for 10 years will be made available to provide benefits based on the NAFTA displaced workers program. The program is administered by the Secretary of Labor.

V. Tobacco Community Economic Development Grants

Block grants to tobacco states will be made annually for rural business enterprise grants, farm ownership loans, initiatives which create farm and off-farm employment, expanding infrastructure, long-term business technical assistance, supplemental agricultural activities, value-added agricultural initiatives, and compensation to warehouse owners. At least 20% of funds must be spent on agricultural activities, 4% on long-term technical assistance, and 6% on warehouse owners.

VI. Total Costs

$2.1 bil. per year for the first ten years, $500 mil. for years 11-25, $28.5 bil. total.

Summary of LEAF Act Modifications

General:

1. **Base Years:** Base years upon which payments are made changed from 1994-96 to 1996-98.

2. **Funding:**

a. Annual payments to tobacco farmers raised to $1.65 billion from $1.6 billion. Total payments to farmers raised to $16.5 billion from $16 billion.

b. Economic Development grants set at $375 million minus administrative costs for first ten years; unchanged for years 11-25.

c. Assistance for dislocated workers set at $25 million annually for ten years.

3. **Optional Buyout:** For all types of tobacco other than flue-cured, quota holders are given a one-time optional buyout at $8 per pound, in exchange for relinquishing their quota. Payments will be made over a period of up to ten years, depending on (1) how many take a buyout, and (2) how far national quota falls. Remaining quota holders who stay in the program will be eligible for LEAF Act payments as under the original bill.

4. **Reallocation of quota:** For all types of tobacco other than flue-cured, when an optional buyout is taken, quota lessees or quota tenants who were the principal producer of tobacco under the quota will be given the option of having the quota reallocated to a farm they own. Otherwise, the quota is redistributed among remaining quota holders in the county (or in states with cross-county leasing like Tennessee, redistributed throughout the state.)

5. **Flue-cured permits.** All flue-cured quotas will be relinquished, in exchange for an $8 per pound payment over ten years. Inactive quota holders are out of the program. Active quota holders will be issued individual tobacco production permits. Quota renters or tenants who were principal producers of flue-cured tobacco during 1998 will also be issued individual tobacco production permits. Quota renters or tenants remain eligible for LEAF Act payments to the extent national quota declines. Permit holders must remain active producers to maintain permits. Permits may not be sold or leased, but may be transferred to descendants.

6. **Warehouse owners:** Six percent of economic development funding is earmarked for warehouse owners for ten years.

Technical:

1. Definition of "active tobacco producer" changed to "participating tobacco producer"
2. Dark tobacco poundage conversions to be based on actual farm yield, not county yield.
3. Funding for farmer payments divided between flue-cured and all other types of tobacco.
4. Reallocation of leased quotas where a tenant is the primary producer is split between quota lessee and quota tenant.
5. If the program is voted out by referendum, this does not trigger accelerated LEAF Act payments.
6. Flue-cured permit holder must invest at least 100 percent of the costs of production in the crop in order to be considered an "active" producer.
7. Flue-cured tobacco must still be grown in the same county under a permit as it was under previous quotas.
8. Flue-cured permits must be assigned to a farm within the same county.