THE PRESIDENT MEETS WITH KENTUCKY TOBACCO FARMERS AND CALLS FOR PASSAGE OF COMPREHENSIVE TOBACCO LEGISLATION
April 9, 1998

Today, the President traveled to Carrollton, Kentucky to meet with tobacco farmers and to address students at Carroll County High School. The President's trip highlights his commitment to reducing youth smoking and protecting farmers, which are key elements of the bipartisan comprehensive tobacco legislation the President has called on Congress to pass this year.

Roundtable with Tobacco Farmers and Members of the Farming Community
The President held a roundtable discussion in the Kentuckiana Tobacco Warehouse with tobacco farmers and members of the community, including a student and tobacco warehouse owner. The panel also included Rod Kuegel, the President of the Burley Tobacco Growers Cooperative -- an organization that represents 150,000 tobacco farm families in five states -- and Bill Sprague, the President of the Kentucky Farm Bureau -- the largest farming organization in the state. This roundtable provided an opportunity for the President to listen to the concerns of farmers and the community regarding comprehensive tobacco legislation.

Addressing Students at Carroll County High School
The President also addressed approximately 2200 students and adults at the Carroll County High School where he emphasized his commitment to reducing youth smoking. The President was joined by Senator Ford, Governor Patton, and Agriculture Secretary Glickman. The President noted that every day 3,000 children will become regular smokers, and 1,000 will die prematurely as a result, and he urged Congress to pass his plan for comprehensive tobacco legislation which will save one million lives over the next five years.

President's Key Principles
On September 17th, President Clinton announced the five key principles that must be included in any comprehensive tobacco legislation. They are:

1. **Tough penalties and price increases** to reduce youth smoking. Price increases of up to $1.50 if necessary over the next ten years.

2. **Full authority for the FDA to regulate tobacco products,** including authority of the manufacture, sale, and advertising of tobacco products.

3. **The tobacco industry must change the way it does business**, including stopping advertising to children.

4. **There needs to be progress towards other public health goals** including cutting second-hand smoke and increasing funding for health research and cessation programs.

5. **There should be protection for tobacco farmers and their communities** so they do not suffer economically because of this legislation.

TOBACCO Q&A
PRESIDENT'S KENTUCKY TRIP
April 9, 1998

I. ADMINISTRATION POSITIONS ON TOBACCO FARMER ISSUES

Q. Why is the President going to Kentucky?

A. The President is going to Kentucky, the heart of burley tobacco country, to discuss the need for comprehensive tobacco legislation that reduces youth smoking but provides for the future of family farming and rural communities. In his statement last September, the President said that protecting farmers and their communities was one of the key five principles that must be included in any comprehensive tobacco legislation he would be willing to sign. The President is going to Kentucky to discuss the impact of tobacco legislation directly with farmers and affected communities, and urge passage of legislation that meets the needs of reducing teen smoking and protects farmers and their communities. The President also will say that he is pleased that Senator Ford has worked so hard to produce consensus among tobacco producers and their representatives in Congress on a strong proposal to protect tobacco farmers.

Q. What is the President's position on programs for tobacco farmers?

A: The President made protecting farmers and their communities one of the five key principles that must be included in any comprehensive tobacco legislation. Senator Ford's bill, which maintains a production control system while compensating farmers for decrease consumption of tobacco products, is a strong proposal to protect tobacco farmers, and the President believes it is a significant step forward.. The President is encouraged that the interests of both flue-cured and burley farmers are included in the proposal, and hopes that all farmers will continue working together to ensure that legislation is passed this year.

Q. Aren't the goals of reducing youth smoking and protecting tobacco farmers contradictory?

A: No. The President does not want the tobacco companies to go out of business, only out of the business of selling to children. The tobacco farmers have played by the rules, and should be protected in any legislation that passes. The President believes that we can reduce youth smoking and protect rural communities if we all work together to urge Congress to pass bipartisan comprehensive tobacco legislation this year.

Q. Senator Lugar recently suggested in an op-ed that the tobacco program should be phased out. Does the Administration agree?

A. The Administration feels that any legislation has to be evaluated in terms of how well it meets the President's five principles -- including reducing youth smoking and protecting farmers and their communities. Advocates of a free market for tobacco growers will need to demonstrate that it is consistent with these principles. Many health groups have argued that simply ending the tobacco program may actually increase the amount of tobacco that is grown, decrease the cost of tobacco, and provide a windfall for cigarette companies. In addition, representatives of family farms have suggested that ending the tobacco program would have extremely negative economic effects on them and their communities. The President went to Kentucky, in part, to discuss the various legislative options with those directly effected by tobacco legislation and hear their opinions first-hand

II. BACKGROUND QUESTIONS RE: TOBACCO FARMERS

Q. How important is tobacco to Kentucky producers and the overall economy?

A. Including sales from fire-cured and dark air-cured tobacco, Kentucky tobacco producers received over $800 million from the 1997 crop. Tobacco sales represent over 40 percent of crop sales receipts and over 20 percent of all agricultural sales in Kentucky.

Q. Who will be affected by a settlement?

A. The tobacco settlement will have a wide-reaching impact on all segments of the tobacco industry, but a disproportionate effect on small and minority tobacco quota owners and producers. Of the 338,000 individual quotas, about 66 percent are considered small farm operations. Five percent of all quotas are owned by minorities, the majority of which are small producers.

Q. Why is tobacco so important to small farmers?

A. Tobacco is a high value crop that generates gross receipts of $4,000 to $5,000 per acre. Profits from 1 acre of tobacco are equivalent to between 15 and 20 acres of corn or soybeans. On small farms in Kentucky, with an average of 22 acres of harvested cropland in 1992, tobacco is vital to the economic survival of farmers.

Q. How much tobacco is grown in the United States?

A. In 1997, tobacco production totaled 1.7 billion pounds with a value of over $3 billion.

Q. How does the tobacco program work?

A. Since the 1930s, in order to grow tobacco, a farmer must have a quota. The quota allows the farmer to grow a certain amount of tobacco for that year. Thus, the amount of tobacco grown in the United States is controlled by law. In addition, the price of tobacco is set statutorily. If a private company chooses not to purchase tobacco at or above the statutory minimum price, the regional cooperative of tobacco farmers will purchase the tobacco and store it, putting the tobacco back on the market when the price is more favorable.

Q. What are the provisions of the Ford bill which is included in the McCain legislation?

A: Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a generous farmer provision in the McCain tobacco legislation. Their proposal also has the support of Senator Robb. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco.

For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at $8 per pound, while retaining the basic quota system for those who do not take the buyout. To the extent that the national quota declines, the bill provides transition payments to remaining quota holders, lessees, and tenants.

For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new no-cost permits to active producers, regardless of whether they previously held a quota. This transfer of quotas from inactive quota holders to actual producers is intended to allow active farmers to sell tobacco without incurring the cost of buying or renting quota.

The McCain package also provides approximately $500 million for assistance to tobacco-producing communities. The entire package costs $2.1 billion per year for the first ten years and $500 million for years 11-25 for a total of $28.5 billion. For the most part, tobacco farmers are very pleased with the proposal included in the McCain legislation.

II. GENERAL BACKGROUND ON TOBACCO LEGISLATION

Q: What's your reaction to RJR Nabisco CEO Steven Goldstone's remarks today at the National Press Club?

A: It is no surprise that the tobacco industry would protest the legislation moving through the Congress --it is in their interest to object to the bill now to prevent it from getting even tougher. In the end, the companies will have a strong incentive to participate, and we're convinced that they'll recognize this.

So we don't think the companies will walk away --and we hope they do not do so. We would prefer that the companies join, rather than fight, our efforts to reduce smoking.

But make no mistake: The President will continue to work to reduce youth smoking no matter what the companies do. He has worked on this effort for two years; members of Congress from both parties are now joining him; and we will get strong legislation on youth smoking whether or not the companies join us.

Q: Will this deal drive RJR and/or other tobacco companies into bankruptcy?

A: No. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. We've done some careful financial analysis of the McCain bill, and we do not believe that it will drive companies into bankruptcy. There's just no reason to think that this legislation would increase the companies' exposure to a financial loss of the kind that would send them into bankruptcy. Stopping companies from selling cigarettes to kids will not put them out of business.

Q: But don't you need industry cooperation to enact tobacco legislation?

A: We would like the tobacco industry to willingly join us in this effort to reduce youth smoking. And we still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this chapter in their history. But if they refuse to join us, we will still make progress. We will continue our efforts to pass comprehensive legislation to dramatically reduce youth smoking.

Q: Has the President endorsed the McCain bill?

A: The President believes that this bill represents a dramatic step forward. It would raise the price of cigarettes, give the FDA full authority to regulate tobacco products, ban advertising aimed at children, and protect tobacco farmers.

But he also said we still have some work to do on this legislation. Above all, we need to put in place tough penalties that will cost the tobacco industry if it continues to sell cigarettes to young people. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. Last week's progress in the Senate shows we have real momentum in both parties to do just that. The President looks forward to working with John McCain and others to move this legislation forward.