THE WHITE HOUSE

WASHINGTON

November 7, 1997

Dear Bob:

Thank you for sharing with me your concern for the economic well-being of this nation's tobacco farmers and the communities in which they live.

As I have stated publicly, I am committed to the financial well-being of America's tobacco farmers, their families, and their communities. I will not support or sign any legislation that does not provide American tobacco farmers with a safe, sound, and secure future.

In response to the points you have raised with me, I agree with you that American tobacco farmers must have a stable and realistic price for the product they produce. I trust in the abilities of you and your colleagues to determine that price.

I also agree with the principle espoused by several of your colleagues on both sides of the aisle that assures American tobacco farmers a fair level of production based upon the world market share of American cigarette companies, and a sound share of their own domestic market. I understand that this principle will involve adopting a new thought process as it affects grower production, but I believe this idea is soundly based in principles of equity, and thus deserving of my support. Further, I appreciate the points you have raised regarding our ability to enforce this provision, and I can assure you that I will work with you to achieve your stated objectives.

I am committed to supporting an independent source of funding for all costs associated with the operation of a successful tobacco farm program. As I understand the concept you have shared with me, you believe that tobacco farmers should be entitled to a dedicated portion of the current tobacco excise tax for the purposes of: ensuring financial stability in tobacco communities; compensating tobacco farmers for any negative economic effect from the tobacco settlement; maintaining the economic viability of farmers' investments in tobacco; and covering all administrative and other costs associated with the tobacco program.

I understand that the House of Representatives has a record of previously supporting this concept in a bipartisan manner. This kind of prior bipartisan support leads me to believe that the solution which you discussed will be one which I can ultimately wholeheartedly support.

Further, I agree with you and other tobacco Members that tobacco farmers and other facets of the tobacco community should share in any immunity from liability which cigarette manufacturers receive in any settlement legislation.

Additionally, I will work with you and other Members of Congress to reform the system of "duty drawback" so that this system does not provide an economic incentive to purchase foreign tobacco, in preference to American grown leaf. Duty drawback should never be used to undermine the price or sales of American grown tobacco.

As I said when I announced my plan for tobacco legislation, we have an important moral responsibility to American tobacco farmers. These farmers are not the source of the problem, but rather an important part of America's farming community. As you and I have discussed in the past, American tobacco farmers grow commodities other than tobacco. To ignore this fact is to ignore the security of this nation's food supply.

I thank you for this opportunity to share with you my commitment to comprehensive tobacco legislation. The points you discussed with me are worthy of my support, particularly because of the bipartisan nature in which they were originally developed. Your proposal demonstrates the commitment we share to maintaining American tobacco farmers' livelihood and income, and I look forward to working with you and all tobacco Members to achieve these goals.

Sincerely,

Bill Clinton

The Honorable Bob Etheridge
House of Representatives
Washington, D.C. 20515

President Clinton's Comments On The Tobacco Program:

- ***News Conference, August 10, 1995:***

  "I believe there are tobacco farmers in the States which grow tobacco, who have been involved in it a hundred years or more -- their families -- who don't want their kids to start smoking. We're not talking about whether they have a right to grow tobacco or reap the paltry 4.5 cents, which is all they get out of a pack of cigarettes."

  "On the tobacco program, if it is self-financing -- and I have always supported the tobacco program. It is essentially a self-financing program. The question is, do you want this tobacco grown by family farmers, or do you want it grown by big corporations if it's a self-financing program? But a self-financing program, essentially which is what it is, has been designed to preserve the structure of family farms and the culture of the family farms rather than let the big tobacco companies grow it themselves and turn all those folks into hire hands. I have thought, since it was going to be grown one way or the other, the family farm structure was a better one."

- ***Remarks Announcing the Final FDA Rule, August 23, 1996:***

  There are many, many good people who have been farming, growing tobacco for generations in their families. They have a right to make a living for themselves and their families, and they will continue to do so. But let's be honest: We hope that over the long run, if we can dramatically reduce rates of smoking among children, the overall consumption of cigarettes will decline. If that happens, these good people who farm the land and work hard should not be left behind. And all of us who have sought this course have a responsibility to help them if they face difficulties."

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Bill Clinton

The Honorable Bob Etheridge
House of Representatives
Washington, D.C. 20515

2070 [illegible]

TO: BRUCE REED, ELENA KAGAN

FROM: TOM FREEDMAN, MARY SMITH

RE: FORD, LUGAR, AND ROBB TOBACCO FARMER BILLS

DATE: DECEMBER 12, 1997

The bills most basic difference is over whether there should be a tobacco buyout and a continuation of the quota program. Ford does not have a buyout but compensates farmers for loss of value in their quota. Lugar provides for a buyout, moving towards the freedom to farm model of the 1996 farm bill. Robb phases out the quota system, but sets up in its place a quasi-privately run liscensing system which still regulates production quantities.

Ford has the four senators from Kentucky and North Carolina signed on. There are other groups in the House discussing bills. Another approach you may recall was suggested by many of the producers who were interested in the tobacco companies guaranting they would contiue purchase a set level of tobacco.

I. FORD

A. Total Cost: $28.5 billion. Not on top of $368.5 billion.

* Payments for lost tobacco quota capped at $1.6 billion per year.

* Administrative costs of program, including crop insurance, paid for from fund: capped at $100 million annually.

* Tobacco Community Development: $300-350 million annually. Half the money to states for direct compensation proportionate to county share of tobacco income, half to state generally.

* Farmer Opportunity Grants: $1.4 billion total for higher education fund for farmers and dependants.

*Tobacco Worker Transistion Fund: $500 million worker retraining program.

B. Quota Buyout? No.

C. Payments for Lost Tobacco Quota: Sets a baseline based on the quota for 1994-1996. Quota holders get $4 a pound per year for every pound below baseline. Payments subject to lifetime

The draft USDA postion is that "USDA is **strongly opposed to this amendment**". The letter states that crop insurance is the principal remaining safety net for farmers who suffer crop losses; that most tobacco farmers operate small farms and form an important part of the economy of many rural areas; and that the Administration supports a "safety net" (as the President cited when he signed the 1996 Farm Bill). It also recalls the hurricanes of last year that hit tobacco growers hard in North and South Carolina and Virginia, for which crop insurance provided significant indemnity payments.

The Administration has not quite broached the fate of tobacco farmers in the current tobacco company settlement talks. However, there has been some talk of ensuring any adverse affects on their livelihood are offset (USDA currently does not forecast adverse affects: while domestic demand may decrease from the deal, export demand is growing). In addition, in a March 1994 ACB News Special that featured the President answering questions from young people at the White House, the President stated, "There are a lot of good people in America who still raise tobacco. And we should have funds set aside for them (in the cigarette tax) to help them convert away from raising tobacco to doing other kinds of farming so they can actually make a living." (This is about all we've got on the President's potential views on this issue.)

In our view, some version of the safety net argument for preserving crop insurance for tobacco, and opposing the Lowey amendment, would appear a consistent Administration position. But this issue is clearly above our heads, and so request any guidance you can offer as soon as possible. Thanks.

Message Sent To:

T J. Glauthier/OMB/EOP
Charles E. Kieffer/OMB/EOP
Lisa M. Kountoupes/OMB/EOP
Barbara Chow/WHO/EOP
Lucia A. Wyman/WHO/EOP
Joseph J. Minarik/OMB/EOP

---------------------- Forwarded by Alecia Ward/OMB/EOP on 07/15/97 05:22 PM ---------------------------

Joseph J. Minarik

07/15/97 04:50:45 PM

Record Type: Record

To: Mark A. Weatherly/OMB/EOP

cc: See the distribution list at the bottom of this message

Subject: Re: URGENT: USDA draft letter supporting Tobacco crop insurance

For what it's worth, I think the President's statement speaks for itself; and we have certainly made crop conversion a part of our economic response. Therefore, I see no way that we can back cutting off crop insurance -- certainly not now, and probably even after we get a substantial part of the land base to convert.

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