1. expand law
2. ~~add~~ ↑ # of FBI agents
3. local partnerships / U.S. atty's
4. make campaign

Ford kept out of talks on tobacco

Congressional leaders meet Clinton to discuss settlement

By Gail Gibson
Herald-Leader Washington Bureau

WASHINGTON - After pledging help for farmers in the national tobacco settlement, President Clinton did not invite one of their key allies to a meeting yesterday where congressional leaders discussed the deal's future.

U.S. Sen. Wendell Ford, one of the tobacco growers' most vocal and powerful advocates in Congress, said the fact that he and other key tobacco-state lawmakers were excluded "calls into question just how serious the White House will be in helping find a solution for our farmers."

Yesterday's meeting marked the first time Clinton has met with a bipartisan group of congressional leaders to map out how to proceed with legislation stemming from the proposed $368.5 billion settlement of lawsuits against cigarette manufacturers.

Last month, Clinton said the settlement should be used as a starting point for creating an aggressive national program to combat teen smoking. He also outlined other goals, including providing economic help for farmers if demand for their crop declines.

Clinton isn't forgetting farmers now, White House spokeswoman Julia Payne said late yesterday. Other meetings are planned, including a session specifically for tobacco-state lawmakers.

"What's really important for the senator and people in Kentucky to realize is it's a really complex process," Payne said.

After yesterday's closed-door meeting, the lawmakers said there was general consensus about the goals, but disagreement over how to reach them.

"What we're looking for is a straight pipeline to the problem, not a Rubik's cube," said Sen. Frank Lautenberg, D-N.J., who was at the meeting. "Otherwise we'll be talking about the pieces and parts of this thing forever."

The meeting included House Speaker Newt Gingrich, the majority and minority leaders from the House and Senate and the heads of committees that have direct jurisdiction over the settlement.

It also included members such as Lautenberg and Rep. Henry Waxman, D-Calif., both strong tobacco opponents who do not fit into any of the leadership categories, Ford noted.

Ford, who as minority whip is the second-ranking Democrat in the Senate, said it was "inconceivable how the White House could call a meeting that invites anti-tobacco members but essentially shuts out tobacco-state members."

Sen. Ernest F. Hollings, D-S.C., and Rep. Thomas Bliley, R-Va., apparently were the only tobacco-state members at the session.

"First, farmers are left out of negotiations on the settlement," Ford said. "And now, their representatives are being left out of discussions on how to implement the agreement."

U.S. Rep. Scotty Baesler, a Lexington Democrat and the only tobacco farmer in Congress, was not invited to yesterday's meeting. Baesler is not in a leadership position in the House.

U.S. Sen. Mitch McConnell, R-Louisville, also was not invited.

Over the summer, Kentucky's two senators worked on a proposal that would use money from the settlement to supplement farmers' lost tobacco income, compensate them for lost land value and provide funds for economic development in rural communities.

Ford plans to develop legislation stemming from that proposal, which has been largely endorsed by farm groups in Kentucky.

At yesterday's hourlong meeting, the lawmakers agreed to set up an informal working group to craft a compromise plan - similar to the way Democrats and Republicans put together the balanced-budget agreement this summer.

The goal is to draft legislation this year that could be enacted early in 1998.

White House spokesman Mike McCurry said all sides want to act before interest in the settlement wanes and opportunity is lost.

"There's a real agreement among the people participating in that meeting that they need to move and move swiftly on this issue and take advantage of the momentum that's occurred," McCurry said.

Legal fee cap urged for tobacco deal

Associated Press

WASHINGTON -- Congressional leaders balked yesterday at President Clinton's suggestions for a tobacco deal, saying they want to ensure that trial lawyers don't grab too big a chunk of any financial settlement.

House Speaker Newt Gingrich, R-Ga., said he would ask Clinton to cap lawyers' compensation from tobacco-related cases at a "reasonable hourly fee, plus expenses" to better ensure that money meant for children's health actually is spent for that purpose.

"Certainly among the Republicans there was a strong feeling that literally billions of dollars, maybe $100 billion, is at stake," Gingrich said. "That could be spent on health in general and on children's health in particular ... rather than just (going) to enriching a small group of trial lawyers."

Gingrich also said Congress wants to ensure that tobacco legislation does not create a black market for cigarettes, and he said the president's drug policy adviser should be asked to design an anti-addiction program.

"We don't want to end up with young people thinking it's OK to do crack or cocaine or heroin or marijuana, as long as they don't smoke tobacco," Gingrich said.

White House spokesman Mike McCurry was not warm to Gingrich's proposal on lawyer fees, but said there is "certainly a willingness on our part to explore all the features that are necessary to get to a settlement."

"That's clearly going to be one area in which there has to be a lot of work back and forth," McCurry said.

Last month, Clinton urged that some changes be made to the $368 billion agreement between most states and the tobacco industry, which was reached with White House help last summer. His main demand was for steep annual settlement payments and fines for tobacco companies if teen smoking does not decline significantly.

Under Clinton's plan, cigarette prices could rise by $1.50 a pack over 10 years. Lawmakers asked whether that increase would come from a new federal tax or by allowing the tobacco companies to boost prices and reap a windfall profit.

Wh'te House Crit'c'zes More of Tobacco Deal

By Peter Baker
Washington Post Staff Writer

The White House yesterday rejected another key provision in the proposed $368.5 billion settlement with the tobacco industry, complaining that the deal would not impose tough-enough penalties against cigarette makers if they do not reduce underage smoking in the next 10 years.

During a meeting at the White House, Clinton administration officials told industry lawyers they were concerned that tobacco companies were not serious about meeting specified goals for curbing youth smoking as set out in the agreement and insisted on more stringent financial costs for failure.

"We made clear that we intend to strengthen the penalty area," said Rahm Emanuel, a senior adviser to President Clinton who participated in the meeting.

The decision to revise that section of the agreement marks the second time the White House has demanded changes to win its endorsement and signals that it will continue to cast a skeptical eye as the administration proceeds with its 30-day review. Last week, Clinton ruled out the plan's proposed restrictions on government authority to regulate nicotine in cigarettes, and aides are working on alternative provisions.

The tobacco lawyers who came to the White House yesterday repeated their preference that the deal be left as they negotiated it with state attorneys general and a coalition of trial attorneys. However, according to Clinton aides, they did not take a hard line ruling out any changes either.

"It's a great proposal," J. Phil Carlton, a tobacco lawyer from North Carolina, said as he left the meeting. "It's getting very close scrutiny . . . as it should."

Hammered out after months of tense talks, the settlement was intended to resolve dozens of lawsuits by state governments and individual smokers seeking compensation for medical costs of smoking. Any agreement would have to be translated into legislation, passed by Congress and signed by Clinton.

Among the many concessions agreed to by tobacco companies was a system intended to motivate them financially to prevent minors from picking up the habit. Under the proposal, if youth smoking does not drop by 30 percent in five years, 50 percent in seven years and 60 percent in 10 years, the industry would face fines of $80 million for each percentage point short of the goal. The figure was derived from estimates of how much profit tobacco companies would make from the increase in sales.

Public health groups have singled out that provision as one of the agreement's fundamental flaws. Clinton aides said they concur and suspect tobacco executives may have agreed to what one called a "phony" system knowing the goals would not be reached. However, the aides said they are not yet sure how they will toughen the arrangement.

"We . . . gave them a clear message to bring back to New York, which is if the settlement is going to work, they've got to look out for our bottom line, which is reducing smoking by kids," said Bruce Reed, Clinton's chief domestic policy adviser. "I think they recognize that we're not just going to rubber stamp this."

Yet in another area that has provoked criticism by public health advocates, the administration seemed to soften its position.

Until yesterday, Health and Human Services Secretary Donna E. Shalala had expressed deep reservations that the settlement would be tax-deductible, essentially reducing the industry costs by about one-third. After the meeting, though, she noted that it is "standard business practice" for corporations to deduct the cost of settling lawsuits. "That's part of the law," she said.

The Washington Post
Wednesday, July 16, 1997

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Tobacco Farmers
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73RD STORY of Level 1 printed in FULL format.

The Guardian

June 24, 1997

SECTION: THE GUARDIAN FOREIGN PAGE; Pg. 14

LENGTH: 947 words

HEADLINE: INSIDE AMERICA: TOBACCO PUT US ON ITS FEET, FARMERS FUME;
Those who grow the crop feel betrayed by Washington but vow to plant on, writes Adam Nossiter in Lucama, North Carolina

BYLINE: Adam Nossiter

BODY:

THE tobacco farmer lunged forward, his face red with anger at the latest provocation from Washington.

"Don't get me wrong." said Billy Bass. "Tobacco is bad. But as long as it's legal, I'll grow it."

Tobacco farmers here in the heart of eastern North Carolina's tobacco country, do not know if the deal announced in Washington will mean fewer cigarette buyers, less money for their crop or even eventual ruin, but none of the half-dozen farmers interviewed suggested quitting.

"It hurts my feelings, if you want to know," said Donnie Boyette, who farms 113 acres.

The farmers' houses are surrounded by the plants, robust and dark green. Their ancestors grew tobacco - Mr Bass said his family had grown tobacco since 1741. "Tobacco put this country on its feet," he said.

Most of the farmers volunteered that they did not smoke, did not want their children to smoke and did not want any teenagers to smoke. But in their view the crop is legal, so if there are ill effects from it, they are not responsible.

"I have no problem with my conscience. We don't need the abuse that Mike Moore imposes on us," said Thad Sharp, referring to the attorney-general of Mississippi who has led the anti-tobacco fight.

"We're the people that's the salt of the earth, that's paying the taxes," said Mr Sharp, whose 200 acres of tobacco provides 70 per cent of his net profit, though he grows soybeans, corn and tomatoes on 1,800 additional acres.

The officials' televised jubilation last Friday angered him. "It looked like a community soccer team, kids' stuff, running around slapping each other's hands," he said.

The $ 360 billion deal notwithstanding, the short-term outlook for these farmers is not all gloomy, an agricultural economist, Blake Brown, said.

They are producing more tobacco than 10 years ago, and the huge export market is helping to make up for drastic declines in domestic consumption, said Mr Brown. About 40 per cent of flue-cured tobacco, the kind produced here, is exported. But, Mr Brown said, the farmers are earning less than in the 1970s, as is North Carolina. Tobacco was 46 per cent of the state's farm income in 1964, but only 15 per cent 30 years later.

The settlement evidently would not affect the federal government's subsidies for tobacco farming, which are relatively small. Direct subsidies ended in the 1980s. Now the subsidies amount to a quota system in which the government licenses the right to grow tobacco and has a federal programme to insure farmers against crop losses.

To the tobacco farmers, there is something unpatriotic about the tobacco deal.

Why, they ask, should the tobacco companies have to pay for something so fundamentally American as the exercise of free choice - the decision to buy a pack of cigarettes?

"You've got a US company marketing a legal product to a public that can buy or not buy it. said Ms Boyette. "You as a free American choose the pack of cigarettes - that was your choice. Now we've got to pay for your sickness?"

LANGUAGE: ENGLISH

LOAD-DATE: June 24, 1997

110TH STORY of Level 1 printed in FULL format.

Financial Times

June 23, 1997, Monday LONDON EDITION 1

SECTION: COMMENT & ANALYSIS; Pg. 19

LENGTH: 1047 words

HEADLINE: When the smoke clears:
The tobacco industry may have got off lightly in its proposed landmark settlement with US states, says Richard Tomkins:

BODY:

The $ 368bn (L222bn) peace deal struck by US tobacco companies and anti-tobacco lawyers on Friday was described by one anti-tobacco negotiator as "the single most fundamental change in the history of tobacco control in any nation in the world". At the very least, it is a landmark in the history of US attempts to curb cigarette smoking.

But the hard part will be convincing a sceptical US public that the settlement represents anything much more than a sell-out to the tobacco industry and an enrichment scheme for the large numbers of lawyers who stand to collect a slice of the proceeds.

Battles over smoking and health have been waged in the US ever since the Surgeon General determined in 1964 that smoking was a health hazard. But the tobacco industry has a well-established record of coming out on top - as, for example, when it turned the introduction of health warnings on cigarette packs into a shield against tobacco litigation.

Meanwhile, although the proportion of US adults who smoke has fallen sharply from a peak of 42 per cent in the 1960s, the decline bottomed out at 25 per cent in 1990 and has stuck at that level since. As a result, cigarette smoking remains the leading preventable cause of death in the US, taking about 400,000 lives a year.

Bowing to the strength of the tobacco lobby, Congress has been reluctant to interfere with this state of affairs: US tobacco manufacturers remain among the least heavily taxed and most lightly regulated in any developed country. But the nation's trial lawyers have used increasingly inventive approaches to launch an avalanche of lawsuits against the industry.

So far, tobacco manufacturers have triumphed in most of the cases that have gone to trial: juries have usually taken the view that people knew the risks associated with smoking even before the warning labels started to appear on the packs.

But cigarette companies and their shareholders are haunted by the fear that, one day, these cases will start going against the industry, producing catastrophic losses.

Friday's deal, if ratified by Congress, will remove that fear by outlawing class action lawsuits - those brought on behalf of thousands, or even millions, of smokers making similar claims - and the lawsuits that have been brought by the attorneys-general of 40 states suing the industry for the billions of dollars they have spent on treating sick smokers.

In return, tobacco manufacturers will pay out $ 368bn over the next 25 years, agree to regulation by the Food and Drug Administration, and accept tough new restrictions on cigarette advertising and marketing, with particular emphasis on curbing under- age smoking.

It has not yet been decided how the money will be disbursed, but a large portion will be used to settle the state claims, another portion will be used to settle existing class action lawsuits - and a large, but as yet undefined, percentage will go to the hundreds of trial lawyers involved in these cases, who have spent time and money battling the industry.

At first glance, the deal looks tough on tobacco manufacturers. The pay-out averages $ 14.7bn a year, more than double the industry's operating profits of $ 7.2bn from domestic tobacco sales last year; and the new regulations and advertising restrictions are aimed at resuming the downward trend in cigarette smoking, with a view to its eventual elimination.

In a joint statement, the big tobacco companies described the settlement as "a bitter pill" requiring previously unimaginable concessions. Yet they could hardly have said otherwise: for the settlement requires the approval of the White House as well as legislation by Congress before it can come into effect.

In reality, however, the tobacco companies seem unlikely to suffer much. They plan to offset the cost of the deal by increasing cigarette prices in the US by about 50 cents a pack, so the settlement will have the same sort of effect as a big tax increase. In addition, the deal does nothing to impinge on the growth side of their business - their booming overseas sales, particularly in emerging markets. And immunity from big legal claims is a prize of almost incalculable value.

Further, the likely benefits to public health appear scant. Experience in other countries shows that even where very tough restrictions, or even outright bans, on advertising and marketing have been introduced, they have had little impact on smoking levels. Youngsters take up smoking because they perceive the habit as "cool", not because advertisements tell them to.

Regulation by the FDA may also have little impact. The agreement allows the agency to reduce, and even eliminate, the addictive nicotine component from cigarettes. However the small print says the agency will first have to present "substantial evidence" that the changes will result in a "significant reduction of the health risks" to smokers, that they are "technologically feasible" for manufacturers, and that they will not create a black market for contraband tobacco products with higher nicotine levels - an array of conditions that may be difficult to fulfil.

To counter such criticisms, the agreement provides for a financial penalty of up to $ 2bn a year against the tobacco industry if it fails to cut under-age smoking by 60 per cent over the next 10 years - seemingly, a form of guarantee that the deal will work. But the target looks so unrealistic as to suggest that tobacco manufacturers consider an extra $ 2bn a year a price worth paying for the legal immunity they will gain.

If there are any benefits to public health, they are most likely to flow from the 50 cents-a-pack price increase. This, more than any other aspect of the settlement, may affect people's propensity to smoke: other countries have found that big price increases reduce demand for cigarettes, particularly among youngsters. Mr Gary Black, an analyst with Sanford C. Bernstein, has estimated that the price increase could cut consumer purchases by 11 per cent.

But to many public health advocates, it is unclear why Congress should not simply legislate for a tax increase and tougher regulations, instead of striking a deal that largely relieves the tobacco industry of liability for what it has done in the past.

LANGUAGE: ENGLISH

LOAD-DATE: June 23, 1997

116TH STORY of Level 1 printed in FULL format.

Los Angeles Times

June 23, 1997, Monday, Home Edition

SECTION: Part A; Page 1; National Desk

LENGTH: 1189 words

HEADLINE: GROWERS FEAR THEY'LL REAP SHORT END OF TOBACCO DEAL;
ECONOMY: FARMERS SAY THEY DON'T HAVE OPTION CIGARETTE FIRMS DO OF HIKING PRICES TO OFFSET DROP IN CONSUMPTION.

BYLINE: ERIC HARRISON, TIMES STAFF WRITER

DATELINE: RALEIGH, N.C.

BODY:

A fifth-generation tobacco grower, Rick Apple bristles when he is lumped in with cigarette companies in the public consciousness as a so-called merchant of death.

"I've never forced a cigarette into anybody's mouth," said the farmer, taking a break from working the 250 acres he cultivates with his father and uncle. "I don't think any other farmer has either."

The way Apple sees it, he and other tobacco growers are just decent folk trying to scrape a living from the land, many of them tilling soil that has been worked by their fathers and their fathers' fathers before them. But in the view of many here in tobacco country, the farmers stand to suffer far worse than the large cigarette companies if a landmark $ 368.5-billion agreement between the industry leaders and health groups, state attorneys general and plaintiffs' lawyers gains the approval of Congress and President Clinton.

"I don't think it can be good for the growers," Apple said of the settlement which would, among other provisions, seek to reduce smoking by young people and set aside funds to help others give up tobacco.

"Historically, any lowering of tobacco consumption has drastically affected the growers much more than it has affected the companies," he said. The companies have the option of raising cigarette prices and relying more heavily on cheaper foreign tobacco to maintain profits, Apple said. "The growers don't have that option."

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In the tobacco-growing states, where growers are already faced with uncertainty about the future, the complex, controversial settlement announced Friday was greeted with apprehension and, for many, a sense of resignation. No one knows for sure what effect the settlement will have, or even what its final form will be. But the consensus is that farmers won't be helped by it.

"My husband is 66 years old, and he's been farming all his life," said Anne Stephenson, an elementary school teacher whose husband owns a large farm south of Raleigh. "I hope this is his last year," she said. It's too hard a life and the rewards have become too few, she said.

Tobacco is a major crop in the Carolinas, Kentucky, Virginia and other Southern states. But any ripple effect from the settlement would be felt most strongly in North Carolina, which produces 52% of all domestically grown tobacco. This is home base for much of the $ 45 billion-a-year tobacco industry. Both Philip Morris Inc. and R.J. Reynolds Tobacco Co. , which together account for almost three-fourths of the cigarettes sold in the United States, are based in the state. Apple's farm is within 50 miles of three of the largest cigarette-manufacturing plants in the country.

If tobacco consumption drops, about 17,000 farmers in North Carolina will feel it, along with the businesses and communities that rely on tobacco income. But Mark Vitner, a regional economist at First Union Corp. in Charlotte, said the state's economy has become so large and diverse that a major downturn would not be nearly as detrimental as it would have been in an earlier era.

"Two decades ago, the tobacco industry represented 20% of this state's economy," he said. "Today, tobacco accounts for only about 6.5% of our economy, or about $ 12 billion annually."

But that is small consolation for the many rural communities that rely on tobacco for their livelihoods.

Tobacco revenue and taxes, as farmers are quick to tell you, built roads, universities, churches and supported countless businesses. Many North Carolinians fear what would happen should cigarette manufacturers turn to other nations, not only for a larger share of tobacco consumers but also for the tobacco with which they make their products.

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Long viewed as inferior in quality, foreign-grown tobacco has been improving because of technological advancements. And it is far cheaper than American tobacco, in part because of price supports and an American quota system that limits production in an attempt to keep demand high.

"Brazil, Argentina, Zimbabwe, Malawi--these are now fierce competitors," Apple said. Because of rising land costs, foreign competition, dwindling profits and, now, the uncertain future presaged by the tobacco agreement, he said, "I don't see that 10 years down the road that we're going to be able to farm."

He and others said they would like to see Congress take steps to protect farmers.

"Tobacco has provided a livelihood for many families in this state," said Harold Brubaker, speaker of the North Carolina House of Representatives. "I hope this settlement will benefit public health without destroying the industry which helped build North Carolina's economy."

Many farmers have left the fields, especially those with small operations. In 1950, North Carolina had 150,764 tobacco farmers. Now there are 17,625. The crop back then accounted for 60% of farm income; now it accounts for 20%. While most farmers have diversified to other crops, they say they cannot afford to give up tobacco altogether because it remains the most profitable.

The day after the settlement proposal was announced, Apple said, he picked up a newspaper and read a story in which a local legislator was quoted as saying the deal "did everything but sign the death certificate for the tobacco industry."

While it's too early to predict with certainly what will happen, Apple said he tends to agree, at least as far as the American farmer is concerned.

With studies showing that most of the farmers in his area are in their 50s, he expects the ranks of tobacco farmers to dwindle even more. He said he doubts his sons--ages 6 and 9--will follow him into the profession. "I won't encourage them to do it," he said.

*

And as the economic pressures have increased, so have societal pressures. Tobacco farming, a once-respected profession, increasingly is stigmatized, even in this region.

While there still are towns here where public smoking is the rule rather than the exception--in Angier, N.C., for example, one supermarket supplies ashtrays in the aisles--more and more, businesses will not allow folks to light up.

Stephenson said she is incredulous when people come to visit her home--the home of a tobacco farmer--and automatically assume that they must excuse themselves to go outside to smoke.

"I tell them, 'You can smoke in my house any time,'' she said with a laugh.

She said the number of smokers she encounters has dwindled as more and more people turn against the habit. "It's gotten to where I'm amazed when I see people smoking."

Even her husband, Jay, has quit. He had a three-pack-a-day habit.

"He would be reaching in his pocket for a cigarette with one already in his mouth," she said. "He stopped nine or 10 years ago because the children kept at him to quit," she said.

Many people here say they are confused at the level of scorn that is heaped on tobacco. Saying she doesn't disagree with efforts to stop children from smoking, Stephenson asked: "If they're going to clean up the evils of society, why not include alcohol?"

* REVIEW PROMISED

Los Angeles Times, June 23, 1997

Political leaders vow review, possible changes in pact. A10

LANGUAGE: English

LOAD-DATE: June 23, 1997

120TH STORY of Level 1 printed in FULL format.

The New York Times

June 23, 1997, Monday, Late Edition - Final

SECTION: Section B; Page 9; Column 1; National Desk

LENGTH: 850 words

HEADLINE: To Growers, Deal Brings Uncertainty And Anger

BYLINE: By ADAM NOSSITER

DATELINE: LUCAMA, N.C., June 21

BODY:

The tobacco farmer lunged forward, his face red with anger at the latest provocation from Washington.

"Don't get me wrong," said Billy Bass, a gold tobacco leaf swinging from its chain around his neck. "Tobacco is bad. I wouldn't tell it any other way. But as long as it's legal, I'll grow it."

The tobacco farmers here have long felt scorned by outsiders. Each development in the anti-smoking wars is another blow, and in the wake of the wide-ranging settlement announced in Washington on Friday, the haze of freshly hurt pride was as palpable here in eastern North Carolina as the new summer's heat.

The deal left tobacco farmers here in Wilson County, the heart of eastern North Carolina's tobacco country, feeling like agriculture's pariahs. They do not know if the deal will mean fewer cigarette buyers, less money for their crop or even eventual ruin for themselves, but none of the half-dozen farmers interviewed today suggested quitting.

"It hurts my feelings, if you want to know the truth," said Donnie Boyette, who farms 113 acres near here.

The farmers' houses are surrounded by the plants, already robust and dark green. Their ancestors grew tobacco -- Mr. Bass said his family had grown tobacco on the same land since 1741. But they are ambivalent about this lucrative crop.

Most of the farmers volunteered that they did not smoke, did not want their children to smoke and did not want any teen-agers to smoke.

But they also insisted, vehemently, that they are good, hard-working citizens. In America's tobacco wars, they said, they are at least blameless. In their view, the crop is legal, so if there are ill effects from it, they are not responsible.

"Tobacco farmers are good people," said Thad P. Sharp Jr., 10 miles up Highway 581 in the hamlet of Sims. "They'd give you the shirt off their back if you had chill bumps."

The New York Times, June 23, 1997

"We don't need the abuse that Mike Moore imposes on us," Mr. Sharp said, referring to the Attorney General of Mississippi, Michael Moore, who has led the anti-tobacco fight.

"We're the people that's the salt of the earth, that's paying the taxes," said Mr. Sharp, whose 200 acres of tobacco provides 70 percent of his net profit, though he also grows soybeans, corn and tomatoes.

He was sitting in an air-conditioned office, saying he was grateful that tobacco had brought him all the way there from a Depression-era boyhood.

"I'm just as good a citizen as I was yesterday," Mr. Sharp said. "I have no problem with my conscience."

The officials' televised jubilation on Friday angered him. "It looked like a community soccer team, kids' stuff, running around slapping each other's hands," he said.
The $368.5 billion deal notwithstanding, the short-term outlook for these farmers is not all gloomy, said Blake Brown, an agricultural economist.

They are producing more tobacco than 10 years ago, and the huge export market is helping to make up for drastic declines in domestic consumption, said Mr. Brown, who works at North Carolina State University. About 40 percent of flue-cured tobacco, the kind produced here, is exported. Still, Mr. Brown said, the farmers are earning less than in the 1970's, as is North Carolina as a whole. Tobacco was 46 percent of the state's farm income in 1964, but only 15 percent 30 years later.

The settlement evidently would not affect the Federal Government's subsidies for tobacco farming, which are relatively small anyway. Direct subsidies ended in the 1980's. Now the subsidies amount to a quota system in which the Government licenses the right to grow tobacco and has a Federal program to insure farmers against crop losses. The Department of Agriculture has budgeted $145 million for the insurance in the coming fiscal year; in years with no significant losses, it contributes little or nothing to the insurance pool.

Andrew J. Fisher, a spokesman for Senator Richard G. Lugar, chairman of the Senate's Committee on Agriculture, said today that the negotiators had not focused on Federal assistance for growers.

"Federal involvement is so minuscule that it wasn't seen as a major issue," Mr. Fisher said.

To the tobacco farmers, there is something unpatriotic about the tobacco deal.

Why, they ask, should the tobacco companies, and perhaps they, too, have to pay for something so fundamentally American as the exercise of free choice -- the decision to buy a pack of cigarettes?

"I think it's legalized extortion, but that's neither here nor there," Mr. Boyette said. "You've got a U.S. company marketing a legal product to a public that can buy or not buy it. You, as a free American, choose the pack of cigarettes -- that was your choice. Now, we've got to pay for your sickness?"

Mr. Bass said: "If I was growing marijuana out here, I could understand this. Tobacco put this country on its feet, used to have a lot of support. Now everybody's sold it out."

Mr. Boyette said: "It's become a whipping boy. You just get tired of it. Every day there's something. My grandfather worried about it, my father worried about it, and now I am. Will there ever be any end?"

LANGUAGE: ENGLISH

LOAD-DATE: June 23, 1997

128TH STORY of Level 1 printed in FULL format.

Information Bank Abstracts
WALL STREET JOURNAL

June 23, 1997, Monday

SECTION: Section B; Page 1, Column 3

LENGTH: 55 words

HEADLINE: FACTS ABOUT THE GLOBAL TOBACCO BUSINESS

BYLINE: BY TARA PARKER-POPE

JOURNAL-CODE: WSJ

ABSTRACT:

Chart of facts about the global tobacco business; 25.5% of American adults smoke; 1996 consumer spending on tobacco products totaled $46.6 billion, and federal, state and local excise taxes collected on cigarettes totaled $13.1 billion; world-wide cigarette sales in 1996 amounted to $295.8 billion; other facts noted (M)

GRAPHIC: Graph

LANGUAGE: ENGLISH

LOAD-DATE: June 23, 1997

154TH STORY of Level 1 printed in FULL format.

Chicago Tribune

June 22, 1997 Sunday, CHICAGOLAND FINAL EDITION

SECTION: NEWS; Pg. 11; ZONE: C

LENGTH: 1129 words

HEADLINE: IF TOBACCO DEAL BECOMES THE LAW, QUESTIONS ABOUND ON WHO WILL PAY

BYLINE: By R.C. Longworth and Tim Jones, Tribune Staff Writers. Tribune staff writer Jeremy Manier and Tribune news services contributed to this report.

BODY:

Paying $368 billion, as the tobacco companies have agreed to do, causes a lot of pain. The question is: Who's going to feel that pain?

The tobacco companies themselves? Sure, but not $368 billion worth. They plan to share the pain and the cost with a cast of other players--tobacco farmers and workers, convenience store owners, advertisers and, especially, smokers.

If the landmark tobacco industry settlement with 40 state attorneys general announced Friday passes Congress, the companies could lose $1.5 billion or so in profits next year. Part of this could be caused by lower sales, part by the interest on the loans the companies will need to pay for the settlement.

But R.J. Reynolds and its rivals won't need a tin cup. They are still expected to make $6.7 billion in profits next year, deal or no deal.

Tobacco growers? The companies will be trying to cut costs, and one place to start is with the price they pay for tobacco.

"Instead of the manufacturers paying for it, the farmers would pay a large share," fretted Albert Johnson, 41, who farms a 57-acre tobacco farm near Galivants Ferry, S.C.

Advertisers and the ad agencies? Not much. They've been shifting their business away from the tobacco companies for years.

Billboard owners get about 10 percent of their total revenue from cigarette advertising. For magazines, it's less than 3 per cent. And cigarette advertising on television has been banned for 26 years.

Stores that sell tobacco? Probably from three directions. The public may buy less, the companies may try to shave their markets and smokers may switch to cheaper brands.

"Tobacco is very important to our industry--always has been, always will be," said Lindsay Hutter, spokeswoman for the National Association of Convenience Stores, whose members count on cigarettes for 26 percent of their sales. "This is going to put us in a much more competitive squeeze."

Tobacco industry workers? "There possibly will be layoffs," said John Maxwell, a tobacco analyst at Wheat First Butcher Singer in Richmond, Va.

"They'll have to pay for this somehow."

Potential litigants? Of course. The companies agreed to the deal solely to gain immunity from future class action liability suits.

Smokers? You bet. The settlement could add 75 cents to $1 to the price of an average pack of cigarettes. Tax hikes being debated in Congress and in 16 states could raise the average price even more, from $1.85 to $3 or more.

"If we're talking about a 75-cent to $1 retail increase, we're talking about $400 to $500 more a year to a carton-a-week smoker," said Marc I. Cohen, tobacco analyst for Goldman Sachs & Co. "Smokers ought to be outraged. There's a huge wealth transfer here from smokers to state treasuries, personal injury lawsuits, public education programs and so on."

The outraged smokers, of course, could just quit. Some, no doubt, will. But if international experience is any guide, there won't be many.

Cigarette prices in Europe already are more than $3 per pack: the average price in Norway is $7. As tourists who have choked their way through a meal in a smoke-filled European restaurant know, this hasn't discouraged smoking very much.

Canada imposed a ban on cigarette advertising in 1989. Since then, the percentage of Canadians who smoke has gone up from 30 to 31 percent. In Finland, teenage smoking has gone up from 22 to 24 percent since a partial advertising ban in 1978.

With $386 billion in potential costs, everyone involved will be scrambling to avoid paying more than they have to. But in the immediate aftermath of the deal, no one knew how this would shake out.

The stock market reflected the confusion. Stock prices of the big tobacco companies went up 10 percent through most of last week, in anticipation of the deal. When it was actually announced late Friday afternoon, tobacco stock prices fell sharply.

"It's the old Wall Street adage," said Maxwell. "'Buy on rumor and sell on fact."'

Cigarette sales in this country are a $45 billion a year business. The cigarette makers--Philip Morris, R.J. Reynolds Tobacco, Brown & Williamson, Lorillard, Liggett and American Tobacco--collect $20 billion in sales. Taxes account for another $14 billion.

The other $11 billion is split up by retailers, wholesalers and farmers.

From their $20 billion in sales, the companies make a profit of about $8.4 billion.

If the deal goes through, this could fall to about $6.7 billion, according to the securities firm Sanford C. Bernstein-- $925 million in lower sales and $800 million in interest on the payments.

Maxwell said that a 10 percent price increase usually cuts consumption about 2 to 3 percent, so a 75-cent increase could reduce smoking by about 20 to 30 percent.

Manufacturers also could turn to cheaper foreign tobacco, or push generic brands. These generic brands held 41 percent of the market in 1993, but have since slipped to only 27 percent.

Among advertisers, the proposed deal posed more questions than answers.

"Clearly . . . there is going to be an historic and radical change in how tobacco products are advertised and marketed," said Dan Jaffe of the Association of National Advertisers in Washington. "But beyond that, we really don't have any details.

"We've seen the big print, but not the fine print."

One big question lies with Congress. Right now, the deal is legally "voluntary." If Congress gives it the force of law by banning certain advertising, that could generate 1st Amendment lawsuits.

John Fithian, counsel to the Washington-based Freedom to Advertise Coalition, said the proposed deal is "about as close as you can get to a complete ban without it being a complete ban."

Nevertheless, Fithian indicated, advertisers can live with it because it will directly affect less than 1 percent of the industry's total revenues.

"But a 1st Amendment precedent--of them (Congress) telling advertisers what they can and cannot do--could be dramatic," Fithian said."

The proposed deal, by banning representations the Marlboro Man in advertising, still leaves enough loopholes for both the tobacco companies and their advertisers, said Dr. Stanton Glantz, a professor of medicine at the University of California at San Francisco and author of "The Tobacco Papers."

"The restrictions won't make it that much harder to sell cigarettes," Glantz said. "They may have banned the Marlboro Man but lots of Marlboro ads just show mountains or horses, and those aren't banned."

Maxwell, the analyst, was even more cynical.

"I don't see how this (the restrictions of advertising) is going to stop people from smoking, especially kids," he said.

"If you tell kids not to do something, they're going to do it twice as much."

LANGUAGE: ENGLISH

LOAD-DATE: June 22, 1997

160TH STORY of Level 1 printed in FULL format.

The Baltimore Sun

June 21, 1997, Saturday, FINAL EDITION

SECTION: TELEGRAPH (NEWS), Pg. 7A

LENGTH: 717 words

HEADLINE: Analysts remain uncertain about impact on industry

BYLINE: Sean Somerville, SUN STAFF

BODY:

The $ 368 billion tobacco settlement is a double-edged sword, and its effects on the industry will depend on fine print and execution, experts said yesterday.

The stock market reflected that uncertainty. After rising sharply on Thursday, tobacco stocks fell yesterday as details of the agreement trickled out. Shares of Philip Morris Cos. hit a 52-week high Thursday, then fell $ 2 yesterday to $ 45.50.

"I think some people are beginning to do their homework," said Jack Maxwell, a tobacco industry analyst for Wheat First Butcher Singer. "Everybody says the industry wouldn't settle for anything that's bad. But I got to really look at the numbers."

Under the agreement, the industry would pay out $ 368 billion over 25 years, mostly for anti-smoking campaigns and public health efforts.

The industry would also pay $ 5 billion a year in compensatory damages into a fund that would pay any smoker who won a suit. Tobacco companies would never again face class-action lawsuits.

To pay the costs of the settlements, companies will have to raise the price of cigarettes, likely by about 70 cents a pack. Analysts said some smokers will quit; others will switch to discount brands.

They also say the beleaguered tobacco industry might have to fight "piling on" by states eager to add taxes.

"The proposal is a bitter pill because our companies have made concessions that were extremely difficult," said Philip Morris Cos. Inc. Senior Vice President Steven Parrish, on behalf of the tobacco industry.

"But on balance, this plan is preferable to a continuation of a decades-long controversy that has failed to produce a constructive outcome for anyone."

Chief among reasons for uncertainty are questions about support among lawmakers and President Clinton.

Art Cecil, a Baltimore-based analyst for T. Rowe Price, which owns 5.5 million shares of Philip Morris, said interest groups and lawmakers will pick at the agreement, trying to change it to their liking.

"It's going to be like a rooster in the hen yard."

But Gary C. Black, an analyst for the securities firm Sanford C. Bernstein & Co., said the stock prices already reflect uncertainties. Overall, he said, it will reduce the risk that lawsuits will lead to the industry's demise.

With an agreement, he predicts Philip Morris shares could rise to about $ 60 from about $ 45 and RJR shares could rise to $ 48 from about $ 34.

"Marketing expenses are going to drop, and you're not going to have to worry about bankruptcy," he said. "This is great for the industry because it gives you certainty."

Others disagree. "The issue is whether there's an honest hard flat cap in what the industry has to pay every year," Cecil said.

The settlement will require tobacco companies to pay about $ 15 billion a year, a third of their annual U.S. sales of about $ 45 billion. "They're going to have to borrow a heck of a lot of money," Maxwell said. "This is not something you can pay out of your pocket."

Price increases will cut sales, analysts said. "If something goes up 10 percent, there's generally a 4 percent reduction in consumption," T. Rowe Price's Cecil said.

Sanford C. Bernstein estimates an 11 percent drop in per-pack sales. The settlement of outstanding legal claims would cut industry profits from $ 8.4 billion to $ 6.7 billion next year.

And there's more than just money involved. Maxwell he needs to know more about the Food and Drug Administration's role in regulating tobacco. "If they take out all the nicotine and flavor, you've got a nonproduct," he said.

The Senate Finance Committee voted Thursday to increase cigarette taxes by an additional 20 cents a pack as a way to defer some higher taxes on airline tickets and extend health coverage for uninsured children.

The settlement may embolden states to follow suit. "Alaska recently increased its tax from 29 cents a pack to $ 1 a pack," Maxwell said.

The industry might be helped by growing markets overseas. Philip Morris' market share in Central Europe and Eastern Europe grew from 22 percent in 1995 to 28 percent in 1996. Salomon Brothers estimates it will grow to 32 percent this year.

But Cecil observed, "They're giving away an awful lot of money and an awful lot of control over their own business."

Pub Date: 6/21/97

GRAPHIC: PHOTO, ASSOCIATED PRESS, Celebration: Whistle-blower Jeffery Wigand (left) shakes hands with Florida Attorney General Robert Butterworth as attorney Ron Motley of South Carolina looks on, during the announcement of the settlement.

The Baltimore Sun, June 21, 1997

LOAD-DATE: June 23. 1997

184TH STORY of Level 1 printed in FULL format.

The Record

June 21, 1997; SATURDAY; ALL EDITIONS

SECTION: NEWS; Pg. A08

LENGTH: 661 words

HEADLINE: THE FINANCIAL IMPACT ;
TOBACCO GROWERS, RETAILERS, SMOKERS COULD BE BIG LOSERS
CIGARETTE MAKERS STILL SHOULD PROFIT

SOURCE: Wire services

BYLINE: JOHN HENDREN, The Associated Press

DATELINE: NEW YORK

BODY:

The $ 360 billion tobacco settlement could lift the cloud over the nation's cigarette makers without extinguishing profits.

Despite the hundreds of billions the industry will have to pay, the companies are still expected to make a $ 6.7 billion profit next year.

Instead, the effects will fall most heavily on the millions of Americans who didn't have a seat at the tobacco talks.

Among those expected to take the financial hit: the nation's 122,000 tobacco growers, retailers, advertising firms, and smokers who have trouble affording their habit now.

"I said I'd quit when it got to a dollar-something,"said Jim Dickens, 48, an information systems worker and 34-year smoker who lit up a Players cigarette outside Radio City Music Hall."But I'm addicted.

They've got me, and they know it."

New taxes and higher prices could bring the price of a pack of premium cigarettes from the current national average of $ 1.85 to nearly $ 3 or more. That makes smokers the biggest losers in the deal, said Marc Cohen, tobacco analyst for Goldman Sachs.

"If we're talking about a 75-cent to $ 1 retail increase, we're talking about $ 400 to $ 500 more a year to a carton-a-week smoker,"Cohen said."Smokers ought to be outraged. There's a huge wealth transfer here from smokers to state treasuries, personal injury lawsuits, public education programs, and so on."

The settlement of outstanding legal claims would cut industry profits from $ 8.4 billion to $ 6.7 billion next year, according to the securities firm Sanford C. Bernstein, $ 925 million in lower sales volume and $ 800 million in interest on the annual payments the industry will make.

The Record, June 21, 1997

Tobacco makers are expected to see their revenue go unchanged. But what could change dramatically is how the $ 45 billion in retail cigarette sales is divvied up.

Philip Morris, R. J. Reynolds Tobacco, Brown & Williamson, Lorillard, Liggett, and American Tobacco take in about $ 20 billion in sales after paying $ 14 billion in taxes. Retailers, wholesalers, and farmers split the rest.

Higher prices probably will mean that Albert Johnson earns less from the 57-acre tobacco farm his father and grandfather tilled before him.

"When you start talking about 50 cents or a dollar a pack, you get concerned,"said Johnson, 41, of Galivants Ferry, S.C."Instead of the manufacturers paying for it, the farmers would pay a large share."

Sanford C. Bernstein estimates an 11 percent drop in per-pack sales.

Studies at the University of Chicago and elsewhere suggest volume sales could fall by as much as 8 percent for each 10 percent increase in prices.

Convenience store owners view the deal with alarm. They take in $ 17.3 billion a year, 26 percent of their sales, by selling one out of every two cigarettes consumers smoke.

Lindsay Hutter, spokeswoman for the Alexandria, Va.-based National Association of Convenience Stores, even warns of a growing black market in tax-free tobacco, like the one that emerged after Canada raised taxes in the early 1990s.

"Tobacco is very important to our industry, always has been, always will be,"she said. "This is going to put us in a much more competitive squeeze."

The indirect effect of tighter tobacco profits could hit tobacco regions such as the South and ripple through to agricultural suppliers and entire local economies.

Still, industry watchers said the proposed settlement appears far less damaging than continuing to run the risk that juries will grow less and less willing to side with tobacco.

"They have to cope with this in one way or the other, either with the cigarette companies going to court or through the tobacco settlements,"said Blake Brown, a tobacco economist at North Carolina State University in Raleigh."Obviously, the cigarette industry thinks it will be a less damaging scenario to go ahead with the settlement."

GRAPHIC: PHOTO - ASSOCIATED PRESS - Tommy Beach setting plants in Carrollton, Ky., on Friday, the day the government reached a settlement with the tobacco industry. Growers are expected to be hit hard by new taxes and higher prices from the deal.

LANGUAGE: English

LOAD-DATE: June 23, 1997

330TH STORY of Level 1 printed in FULL format.

The Washington Times

June 16, 1997, Monday, Final Edition

SECTION: Part NATION: POLITICS; Pg. 14

LENGTH: 1737 words

HEADLINE: Rolling Tobacco in the South Means Rolling in the Dough

BYLINE: Tiffany Danitz and Jennifer G. Hickey; INSIGHT

BODY:

SUMMARY: Uncle Sam's pockets are stuffed with billions in taxes from the 23 tobacco-producing states. But the tobacco industry is under fire from antismoking advocates and is getting rolled into the political game.

TEXT: Tobacco has become the political issue du jour. The industry faces heavier government regulation, ruinous lawsuits and public scrutiny spearheaded by antismoking campaigners and their swarms of lawyers. But cleverly wrapped between the tobacco leaves is a virtual treasure chest of tax revenue, jobs and a growing European and Japanese demand for the crop.

Tobacco money has been part of the American electoral process for two centuries, but in the last decade the cash flow to politicians and parties has been escalating as big tobacco's troubles have mounted. This coincides with the increasing use of the soft-money loophole, first developed by the Democrats in 1988 when $100,000 checks began surfacing. The Republicans followed suit in the early nineties. Then in 1996 "it just exploded," explains Meredith McGehee of Common Cause, a Washington watchdog group.

While campaigning for the Democratic nomination for president in 1988, Tennessee Sen. Al Gore proudly recalled his tobacco roots for North Carolina farmers. "I want you all to know that with my own hands, all of my life, I put it in the plant beds and transferred it. I've hoed it, I've dug it, I've sprayed it, I've chopped it, I've shredded it, spiked it, put it in the barn and stripped it and sold it," he said.

Later, at the 1996 Democratic Convention, Gore abandoned that message, invoking instead the image of his sister Nancy's untimely death from lung cancer in 1984. "One thousand of them [smokers] will die a death not unlike my sister's, and that is why, until I draw my last breath, I will pour my heart and soul into the cause of protecting our children from the dangers of smoking," he emoted. But such sentiment hadn't stopped Gore from accepting $16,440 from tobacco interests in the six years since his sister's death, critics noted.

Gore's dramatic change in posture is indicative of the strange politics that has been slouching around one of the Southeast's king crops. The change has touched politicians from local elections to Congress and the White House. Wherever one looks there are politicos with links to the $65 billion tobacco industry that supported at least 662,402 jobs in 1994, the last year for which figures are available, according to the Tobacco Institute's Industry Profile.

The Washington Times, June 16, 1997

Former Clinton White House counsel Jack Quinn previously worked for the firm of Arnold & Porter - which received a $300,000 lobbying fee from RJR/Nabisco Corp. - one of the largest manufacturers of tobacco products. Another insider, former U.S. Trade Representative Mickey Kantor, came from the law firm of Manatt, Phelps, Phillips and Kantor. That firm lobbied on behalf of Philip Morris Management Corp., according to news reports, and represented a restaurant group in its fight against legislation aimed at limiting public smoking.

During the time Clinton fund-raiser and intimate Vernon Jordan headed President Clinton's 1992 transition team, he was a member of the board of RJR/Nabisco Holdings Corp. - a company that donated $50,000 in soft money to the Democrats in 1996. That same year, RJR/Nabisco was the second-largest soft-money donor to the Republicans with $1,188,175.

Tim Flournoy, who went to work for the Clinton/Gore campaign in 1996, represented Philip Morris Co. Inc. at a java party attended by Tipper Gore in 1995. A few days later, Philip Morris deposited $50,000 with the Democratic National Committee, or DNC.

Education Secretary Richard Riley and the late Clinton Commerce Secretary Ron Brown both worked for law firms that lobby either for Philip Morris or smokeless tobacco.

The current negotiations between 30 state attorneys general, the lords of the tobacco industry and a team of antismoking lawyers are taking place in the shadow of the White House. Clinton has White House deputy counsel Bruce Lindsey monitoring the talks. According to federal financial disclosure forms, Lindsay is a stockholder in Phillip Morris.

Complaints have risen from Capitol Hill that many with a vested interest have been left out of the closed-door negotiations. Robert Gibbs, spokesman for North Carolina Democrat Bob Etheridge, claims that his office has to read the Wall Street Journal to find out where the talks are going. "It is the great unknown i you hear every day that something changed overnight," Gibbs says. Etheridge, who is on the House Agriculture Committee, is very concerned that tobacco growers are not represented at the table.

While the politics of tobacco were growing increasingly sensitive, the DNC channeled $100,000 from Philip Morris into the state parties of Nevada, Connecticut, New Mexico and Missouri, according to documents released by the White House.

The Democrats were the largest recipients of tobacco-industry monies through the 1994 congressional elections, but when the Republicans gained control of the House and Senate the industry's spending patterns switched to favor the Republicans, according to Common Cause. "It is all about power and buying access and influence," explains McGehee of Common Cause.

The various tobacco interests have given a total of $25,285,189 in federally recorded campaign contributions since 1987. The political-action committees, or PACs, gave $12,393,315, while soft-money donations totaled $12,891,874. Philip Morris and RJR/Nabisco led the pack, according to Common Cause documents.

But Gibbs disputes the allegations of exorbitant influence-peddling, saying the politics of tobacco has more to do with constituencies. The number of states and districts that grow tobacco provides clout on the Hill, he says. "Our concern is for those constituents whose livelihood depends on growing tobacco. That is the way we are going to vote regardless of any quote-unquote influence-peddling," he continues, adding that the congressmen pushing for regulation and taxes do not represent tobacco-growing jurisdictions.

Republican politicians during the last 10 years received the lion's share of the soft contributions - $10.4 million. Democrats reaped nearly $2.5 million, a smaller take for them attributed to their reduced authority as the congressional minority as well as a reaction to Clinton's support of legislation placing tobacco under the authority of the Federal Food and Drug Administration, or FDA.

The FDA issue may cost Clinton some of his Democratic donors, but most tobacco-region Democrats are supporting farmers regardless of Clinton's stand. Etheridge, who raises and sells tobacco with his son, reversed the spin of Gore's approach at the convention when he wrote Clinton that he opposed the FDA takeover.

"There are real people who will be hurt by your decision - people who want to send their children to college, who want to provide the daily necessities for their families. When you attack tobacco, you are not just attacking large, faceless corporations, you are affecting men, women and children who work hard making an honest living," Etheridge declared. In fact, according to the Tobacco Institute, every acre of tobacco requires about 250 man-hours to harvest.

The tobacco interests gave a modest $8,000 to Etheridge's 1996 campaign. Because congressional Democrats from the tobacco states are remaining loyal to the local industry, the money line in the House was very evenly drawn. Tobacco PAC contributions to Democrats and Republicans during the last 10 years equaled nearly $4 million each. But Republican senators were favored 2-to-1 over Democrats by these PACs. Nearly $2 million went to the Republicans vs. just under $1 million to the Democrats, according to Common Cause.

"It is not left wing vs. right wing - it is just who can bring the most resources to the table," says McGehee.

Kentucky and North Carolina are the largest tobacco-producing states, and this is big money. Last year North Carolina's crop sold for $871 million, which resulted in a lot of tax dollars for Uncle Sam. "There is a lot of new industry in the state, but I don't think we've seen any substitute for tobacco," says Blake Brown, an agricultural economist who tracks tobacco at North Carolina State University. Farm sales of tobacco generate 15 to 20 percent of the state revenue and tobacco accounts for about $12 billion of state receipts, he says.

Most of the tobacco grows in the Tarheel State's eastern and piedmont regions. The crop accounts for one in 11 jobs in the state. This year, the tobacco-growing quota is the largest it has been in 15 years. During the last three years cigarette production has been breaking record levels. "Cigarette production is on the rise, and tobacco is on a rebound," says Brown, who attributes this increase to the European and Japanese markets.

In North Carolina tobacco represents history, culture and maybe destiny. It has been a part of daily living since the American Indians taught the settlers how to grow it, and land allotted for tobacco production is passed on through wills. "The whole idea of passing these allotments onto a son or relative makes it a family industry," Gibbs says. And every move the government makes intimately affects North Carolina as well as the other tobacco-producing states.

The most immediate threat to tobacco purchases is the looming cigarette tax, according to Brown, which immediately would impact farmers, he says. From 1970 to 1991 the state cigarette tax was 2 cents, but in 1992 it jumped to 5 cents, according to the Tobacco Institute.

This state's economy has a history of reliance on agriculture. Gibbs calls tobacco a "vital element" in North Carolina. Out of 23 tobacco-producing states, North Carolina is one of four in which each of its representatives received industry contributions. The tobacco interests invested a total of $521,682 in North Carolina congressmen regardless of their party affiliation.

As Etheridge explained to the president, when it comes down to it, party doesn't matter: It is the economy. "You expressed your understanding of the importance of the economy. ... Tobacco is more than an economic issue for the people of North Carolina and many other parts of the South. For many, it is the economy."

GRAPHIC: Photo (color), Burning issue: Gore delivered an impassioned plea but took those tobacco bucks., By Associated Press/Wide World Photos; Graphic (color), Tobacco PAC Contributions, By Bob Daly/Insight

LANGUAGE: ENGLISH

LOAD-DATE: June 16, 1997

341ST STORY of Level 1 printed in FULL format.

The Richmond Times Dispatch

June 15, 1997, Sunday, CITY EDITION

SECTION: GENERAL, Pg. A-15

LENGTH: 816 words

HEADLINE: STATE, OTHERS NOT SUING WANT SETTLEMENT SHARE; EVEN GROWERS COULD RECEIVE A PIECE OF THE PAYOFF

BYLINE: Mark Johnson; Media General News Service

DATELINE: WASHINGTON

BODY:

While Florida, Minnesota and a squad of other states waged a war of lawsuits on cigarette makers in the past year, tobacco-rich states, notably Virginia, North Carolina and Kentucky, quietly kept their lawyers out of battle. Now, when a multibillion-dollar settlement looks within reach, what do those non-suing states get?

''The answer is: exactly what the suing states get,'' said Attorney General Mike Easley of North Carolina, who has been acting as a liaison between the two groups.

Newly installed Virginia Attorney General Richard Cullen said even though the state is not participating in the settlement talks, ''Virginia's going to insist that we be treated fairly in whatever funds are paid out.''

Even tobacco farmers may get a piece of the payoff. Negotiators from the states and the tobacco companies over the past two weeks discussed apportioning part of any settlement for subsidies for the growers.

So far, 37 states have sued tobacco companies, claiming the corporations should pay the millions of dollars in Medicaid the states pay on smoking-related illnesses among the poor. Settlement talks, so far, have included proposals for tobacco firms to shell out $ 300 billion or more.

The irony of tobacco-producing states that sided with the cigarette giants cashing in on other states' lawsuits has not gone unnoticed.

''If I were one of the attorneys general sweating and facing criticism and having stuck my neck out, the idea that people who sat around throwing spitballs at the process can then go and say we're entitled to an even share, I would find extremely distasteful,'' said Richard Daynard, an anti-tobacco law professor at Northeastern University who heads the Tobacco Products Liability Project.

Despite the complaining, states that didn't sue still appear assured of a share of any payout by the tobacco companies. The proposals made in settlement talks include some type of ''fair distribution mechanism'' for parceling out the Medicaid money to all the states, said Jim Tierney, the former Maine attorney general who is helping coordinate the lawsuits.

However galling it may be to share the wealth, the suing states know that any settlement will require congressional approval, because it affects Medicaid money and other public policy matters. And Congress won't pass anything that leaves some states empty-handed, lawyers for several states said. In fact, the talks have become legislation-writing sessions as much as lawsuit negotiations.

Tobacco companies also don't want to leave out any states that could file their own lawsuits later. The cigarette companies want to resolve all the litigation at once.

The settlement talks get tricky, however, when the suing states start talking about collecting money for more than Medicaid costs. Lawyers for Minnesota, for example, contend that states that have spent months and years fighting legal battles should receive some kind of premium for having made the settlement possible.

''That may be enough just to offset costs and attorneys fees,'' said Tom Pursell, senior counsel to Minnesota Attorney General Hubert H. Humphrey III. ''But there would be some kind of an acknowledgment that the states that have done the work should be compensated for that.''

While states such as Florida have slugged it out in the courts for months, others signed on only after victory appeared imminent. California, Idaho and Oregon filed suits just this past week. The cost of lengthy litigation scared some states off until recently, while others signed on ''just to get a piece of the pie,'' Pursell said.

Easley, of North Carolina, agreed that any settlement probably would cover the gigantic legal costs incurred by some states. He cautioned, however, against rewarding suing states.

''The more fair and balanced the final (settlement) is, the more likely it'll get passed'' by Congress, he said.

Equity, in the minds of some tobacco state leaders, includes doling out part of any settlement to help tobacco farmers. Within the past two weeks, the settlement negotiations have included ''serious discussion'' of devoting some of the tobacco company payout to a subsidy for tobacco farmers, Tierney said. That money could come in the form of crop insurance, assistance for shifting to another crop or funds to help with environmental problems created by switching to a different crop, according to Easley.

''The farmers are really not at the table,'' said Sen. Lauch Faircloth, R-N.C., who recently dispatched a letter to tobacco executives questioning whether tobacco growers and their families have been overlooked. ''Before (a settlement) moves through the Congress, it's going to have to do those things that help the farmer.''

Pursell agreed that any settlement needs to consider the farmers. After all, he said, ''they're not responsible for tobacco manufacturers' behavior.''

GRAPHIC: MAP

LOAD-DATE: June 17, 1997

435TH STORY of Level 1 printed in FULL format.

Reuters North American Wire

June 8, 1997, Sunday, BC cycle

LENGTH: 703 words

HEADLINE: U.S. tobacco farmers mull "golden leaf" future

BYLINE: By Knight Chamberlain

DATELINE: ORRUM, N.C.

BODY:

The farmers gathered at the regulars' lunchtime "liar's table" at the Orrum General Store have survived a lot, what with the droughts and hurricanes that can make tobacco growing challenging.

But even these men, many of whom tend land farmed by their fathers and grandfathers before them, last week allowed as how they have some concerns about the number of lawsuits threatening a crop they call the "golden leaf."

"We're feeling skittish," said Billy Rouse, 48, of nearby Proctorville, who has farmed tobacco for 24 years, as he sat with his friends in a building surrounded by rows and rows of green, knee-high plants.

Even as he allowed himself to express some worry, Rouse, a third-generation tobacco farmer, questioned whether the lawyers and politicians fighting the anti-tobacco fight really knew what they were doing.

"Tobacco generates billions of dollars in taxes and thousands of jobs," he said, as he took a cigarette from a pack he had just bought at the counter. "Take away my ability to make a living and what have you got? Instead of generating income and taxes I become a drain on the taxpayer. Who's going to make up that money?"

Tobacco contributes more than $ 1 billion to North Carolina's economy every year, most from fields in the third of the state between the capital, Raleigh, and the Atlantic coast. Orrum, a tiny crossroads town in the heart of tobacco country, is about 110 miles (177 km) south of Raleigh.

Last week a North Carolina lawyer representing tobacco companies assured growers' representatives meeting in Raleigh that growers will not be forgotton once the tobacco industry settles its legal problems.

The lawyer, Phil Carlton, said big tobacco wants to maintain a federally administered program that stabilizes tobacco prices and sets growers' quotas in spite of the so-called "global settlement" talks to settle billions of dollars in litigation pending against cigarette firms.

At they ate, the growers said they welcomed the assurance, although they had heard nothing of the meeting. While they defended their industry, they lamented some behavior by both cigarette smokers and cigarette companies that they said had made the anti-tobacco fight easier.

Steve Walters, another grower from Orrum who followed his father and grandfather into the business, said he was worried about a lawsuit that got underway in Miami last week, pitting flight attendants against the cigarette firms they say are responsible for illnesses caused by breathing secondhand smoke in airplanes.

Attorneys in that class action, the first against tobacco to make it to trial, said they will seek $ 5 billion in damages from cigarette firms. The case followed on the heels of a tobacco industry victory in a liability suit in Jacksonville, Fla., but came just after a North Carolina judge ruled tobacco can be regulated as a drug and almost a year after another Jacksonville jury awarded a smoker damages from cigarette firms.

"If (the flight attedant's class action) wins that will be the end of us," he said. "Anyone who thinks he or she got sick from secondhand cigarette smoke will file a lawsuit trying to get a settlement. After that, the tobacco companies will file for bankruptcy and reorganize overseas."

Walters said smokers have hurt their cause by not respecting non-smokers' rights. "You can do a lot of things in this country to hurt yourself- that's your right- but you don't have a right to smoke around other people who don't. Smokers don't think about that and tobacco foes are on a steamroller right now because of it," he said.

Jason Barnes, 32, of Orrum, said he and his wife are classic examples of how cigarette manufacturers manipulated their product to make it more addictive, something he believes has doomed the industry.

"I've been smoking about 16 years and I'm up to three or four packs a day," said Barnes, who began working tobacco at age six and now works for another grower. "And my wife, man-oh-man, I might as well not come home if she runs out of cigarettes.

"It's all coming to an end," he added. "Either that, or it will get to where cigarettes are so high that normal people can't buy them. I heard a carton in Canada already costs $ 55."

LANGUAGE: ENGLISH

LOAD-DATE: June 09, 1997

439TH STORY of Level 1 printed in FULL format.

The Virginian-Pilot (Norfolk, VA)

June 8, 1997, Sunday, FINAL EDITION

SECTION: FRONT, Pg. A1

LENGTH: 2356 words

HEADLINE: HOOKED ON TOBACCO TOBACCO ROAD 58;
Route 58 may be known locally as Virginia Beach Boulevard, but beyond;
these precincts, as it heads west, it has earned the reputation as;
Virginia's Tobacco Road.;
Along the highway and the network of rural roads that feed into it are;
the farms where tobacco has been a lifeblood for generations of;
farmers and for the Virginia and Hampton Roads economies.

BYLINE: BY PAUL CLANCY, STAFF WRITER

BODY:

Before the sun can throw shadows across a slanting field near Halifax, a man and woman and their three sons are bent over rows of green, left elbow on left knee, pulling seedlings from beds so they can be transplanted in the field. Gregory and Christine Hazelwood squint through smoke from cigarettes dangling from their lips as they stoop to their task.

Their son Ben, who now runs the small farm, dislikes both smoking and the farming associated with it, but feels bound by it. ''The reason I'm still in this is the family,'' he says, cradling the plants in the crook of his elbow. ''If they said they wanted to get out of it, I'd be out of it.'' The same evening near Danville, Tim Shelton's powerful tractor knifes furrows into clay-tinged soil that the setting sun has turned burgundy. Behind him, four men sitting on backward-facing seats feed plants into revolving chambers as quickly as they can move their hands. Faster than one every second, the plants fall into the furrows and, as the tractor moves on, tremble in the breeze in the warm turned earth. ''I've tried everything I can think of: broccoli, small grains, soybeans, cattle,'' Shelton says. ''Nothing generates the income that tobacco does.'' Two hundred miles to the east, truck-hauled containers are unloaded and stacked on ships at the port of Hampton Roads. Tobacco leaves and finished cigarettes, shipped out by the thousands of tons, are a critical part of the region's economy. Storm clouds may hang over the industry as it faces massive liability lawsuits from states around the country. But those who depend on it for a livelihood, as well as the governments that tax it, are as hooked on tobacco as heavy smokers are on cigarettes. Tobacco is king at the port of Hampton Roads. More than $ 2 billion in tobacco and cigarettes, the largest export in dollar terms, pass through the port each year. In Virginia, tobacco is the largest cash crop; it brought in $ 186 million for more than 8,000 farm families in 47 counties in 1996. Even though the state's 2 1/2-cents-a-pack tax is the lowest in the nation, the $ 17 million it generated in 1995 was nothing to cough at. Twenty-nine cities and two counties added $ 33 million in '95 in local cigarette taxes. A big part of tobacco's hold on Virginia is the $ 4,000 an acre that farmers take in for growing tobacco, compared with $ 136 an acre for wheat and not much more for other crops. Then the money really begins to flow. Between the time it is harvested and sold, various governments extract more than $ 40,000 for every acre planted. Tobacco has built farmers' lives and sustained governments for hundreds of years. The intimate connection between Hampton Roads and tobacco goes back to Jamestown. Fast forward a few hundred years and the ties grow stronger, linked at first by rivers and log roads and finally a fast highway that runs from the state's western border with Kentucky to the Oceanfront at the eastern edge. Route 58 may be known locally as Virginia Beach Boulevard, but beyond these precincts, as it heads west, it has earned the reputation as Virginia's Tobacco Road. Along the highway and the network of rural roads that feed into it are the farms where tobacco has been a lifeblood for generations. Tobacco is under greater attack than at any time in its history, but growers are actually feeling a surge of demand. Domestic cigarette consumption is rising, and foreign sales are booming. Still, the farmers are acutely sensitive to accusations that they are selling a deadly substance. The last time they looked, it was legal. And their profession was considered wholesome and honorable. Now they feel they've been kicked in the teeth. Evidence of tobacco's prevalence along Route 58 is not obvious. The farms are mainly tucked away on narrow state roads off the main drag. Just past Emporia, a few tobacco fields appear. But mostly it is timber that seems to have the upper hand. But on the outskirts of South Hill, there's no longer any doubt about what drives the economy. ''This is it, man: 100 percent of our livelihood is tobacco,'' says Joe Walton, squatting in the driveway of the Broadnax Seed Company, east of town limits. A sign proclaims, ''Mecklenburg County supports tobacco.'' Walton, a former county farm extension agent, swivels on his heels and spits tobacco juice on the ground. ''Everything I ever had,'' he says, ''from the education I got to the clothes on my back has been a result of tobacco.'' Sam Lambert, the seed company owner, agrees. ''Every customer I've got is a tobacco grower,'' he says. ''If you take away tobacco and pine trees, this area would be a desert.'' Two other emotions intersect at South Hill and Rt. 58: anger and denial. ''Most people don't know very much about tobacco except all the bad things they hear about it,'' says David Jones, kneeling beside plant trays in one of his modern greenhouses. This is the latest in tobacco growing. Instead of starting in outdoor plant beds, seedlings are grown by the hundreds of thousands in humid greenhouses. The plants, tightly packed in Styrofoam trays, swim in water, their dangling white roots waiting to be plunged into soil. Jones has raised his daughters to know right from wrong, he says, and bristles at the idea that there is something evil about how he earns his livelihood. Especially tough is the push by the Food and Drug Administration to regulate tobacco as if it were a dangerous drug. He spits the words out like bitter medicine: ''I hate to be compared to a drug dealer.'' Most growers know there are serious health consequences to smoking, but there seems to be an abiding conviction that their product is no worse than beef or butter or ice cream, any of which, taken in excess, can kill you. And why not point the finger at alcohol, they say. After all, who would you rather pass on the highway, someone who's been smoking or someone who's been driking? Towns along Rt. 58 cling to tobacco like precious coins. ''Tobacco is gold in South Hill,'' says a sign on Main Street, even though, around the corner, a banner on the town library announces a relay for life to support the American Cancer Society. Smoking has been solidly linked to lung cancer and heart disease, but no one's proven it to Hart Hudson, the state's leading tobacco grower. His 700 acres of tobacco fields fan out from home and office on what is officially named Tobacco Lane. From his office, humming with computers, Hudson can talk by two-way radio to men in tractors and reach others by pager and cellular phone. More than 100 seasonal workers from Mexico tend his fields. ''I'm not one of those who believe that tobacco is the contributing factor to all those deaths they talk of,'' he says. In fact, Hudson contends, tobacco is beneficial to health. Recent evidence to the contrary, he says smoking relieves stress and therefore reduces stress-related illness. Were it not for being able to pop cigarettes when stress threatens, he claims, psychiatric institutions would be filled with nervous non-smokers. Hudson doesn't smoke and seems anything but stressed. His operation, like most others in the state, is a far cry from the tobacco farms of a few decades ago. Then, small tobacco allotments, often only a few acres, paid the bills for many farm families. These are largely gone now, although many retirees now have a few more comforts because big growers lease their land. It's back-breaking labor, but not as much as it used to be. Down the road from Hudson's farm there's a familiar scene in tobacco country: Like a two-armed batting practice machine, a tobacco planter is rambling over a field, its arms reaching up to receive young plants fed to it by four eager workers, then thrusting them into the ground. To make sure they aren't replacing American workers, the farmers advertise the tobacco jobs, with few local responses. But for thousands of Mexicans, many of whom return to the same job every year, the jobs are lucrative. The pay this year is about $ 5.80 an hour and workers are guaranteed at least 30 hours a week, although most want, and get, 50 or 60 hours during planting and harvesting time. Six days a week, sunup to sundown. Transportation to and from Mexico is provided. So is housing and health care. Most of the farmers speak at least passable Spanish. Some go to school to learn it. And some, like John Manning, who has just taken a turn on the planter alongside his workers, have traveled to Central Mexico to visit their families and recruit more. Turned over, the earth is warm and full of an urgent, musty aroma. In three months, the green plants will be as tall as a field worker. Each one will yield about a half pound of tobacco, enough for a carton of cigarettes. West of South Hill, Rt. 58 plunges into a latter-day version of old rural Virginia. Old tobacco curing sheds, still wearing skirt-like awnings, sag among fields of buttercups. In South Boston, still one of the state's leading tobacco market towns, the old-red brick Independent Warehouse stands open, inviting. Afternoon sun slanting through skylights illuminates slogans that tell part of tobacco's history. Luckies taste better, cleaner, fresher, smoother . . . Raleigh: Valuable coupons, wonderful taste . . . For a treat, smoke Old Golds . . . Prince Albert: a national joy. But a more modern sentiment dominates the cavernous warehouse: KEEP THE FDA OFF THE FARM. A few unsold piles of burlap-covered tobacco are the only evidence that frenetic, fast-paced auctions take place every day in the fall. Doors at the back creak open and shut in the wind. Tobacco Road smokers seem to wear their cigarettes like badges of courage in the face of an enemy assault. It is a habit, they admit, but one they say they're free to break if they really want to. Sure, it takes willpower, but people, by their lights, are strong-willed. North of South Boston, John Johnson cultivates his garden as his granddaughter plays nearby. Two years ago, surgeons removed one of Johnson's cancer-ridden lungs, but he doesn't blame anybody but himself for the damage. ''Whose choice is it?'' he drawls, leaning on a long-handled cultivator. ''Ain't nobody twisting my arm.'' But he adds ruefully, ''It's the easiest habit to start and the hardest one to quit.'' Farming tobacco is a hard habit to quit, too. Especially when it goes back generations beyond memory. ''We've been doing it ever since we've been in the world,'' says Ben Hazelwood, stooping to the task with his two brothers and their parents. They're one of the few families that have not yet gone to greenhouses to nurture their plants or imported help to plant them. ''Tobacco pays my bills,'' he says, standing beside the field of red clay and sandy loam. ''But I don't know how much longer that'll be true.'' What he dislikes most about tobacco are the pesticides and herbicides he feels he has to put on the plants. Weeds, lice, beetles, hook worms. All require chemicals to kill them. Sometimes, when he gets off his tractor after an afternoon of spraying he feels dizzy and sick. ''It's not the tobacco plant that's doing it - it's the chemicals,'' he contends.

''That's what I think kills everybody.'' Still, ''choice'' is the mantra of the tobacco grower. ''I'm not going to lie about it,'' Hazelwood says. ''I hate it. But at the same time, anybody else that wants to, they got a right.'' Especially if they live in Danville, it seems, where 53 million pounds of tobacco are expected to sell this year. People smoke freely in restaurants, offices and shopping malls. In the lobby of Dimon Inc., a multinational tobacco-leaf dealer, a receptionist puffs on a slim, brown-paper cigarette. On the counter in front of her desk, a small wooden sign encourages: ''Thank you for smoking.'' Several days a week Dimon and Southern Processors, also of Danville, load 18-wheelers with corrugated boxes stuffed with stemless tobacco leaves. When the trucks reach the port of Hampton Roads, the containers are plucked from the trucks and stacked high on ships heading to foreign ports. Foreign sales have kept the demand for Virginia tobacco high. This year there's an 11.5 percent increase in the amount of tobacco farmers can grow in the state. Still, along Virginia's Tobacco Road, there's at least a hint of apology for what cigarettes do. After helping his son, Randy, plant a few thousand plants on a farm near Chatham, Frank Yates admits, ''My wife says she just hates to see us grow tobacco because it's sinful.'' He apologizes for rushing off; he's going to a revival meeting this evening at his church. Just up the road at a place called Dry Fork, Tim Shelton is carrying on a tradition that began seven generations ago. While his father, Bobby, drives a tractor and his dog, Reggie Jackson, hangs close by his heels, Shelton oversees the loading of thousands of plants from greenhouse to truck. Then he's off to one of the fields waiting for his tobacco. ''What if tobacco is outlawed?'' he asks. ''What do we as tobacco farmers do with the investment we've legally made?'' For him, the investment in land and equipment is close to S 1 million - a pretty serious reason, in his mind, to defend what he does for a living. The speedometer on his tractor dances between 1.4 and 1.5 mph as it marches across the field, sowing thousands of plants as darkness falls. ''The bottom line is if we weren't one of the richest industries in the world, they wouldn't be going after us.'' he says. The next morning, another young farmer, Hank Maxey, arrives to pick up several thousand plants at one of Shelton's greenhouses. Boots squish in the watery beds as sunlight defused by plastic walls helps create a rice paddy look. Maxey is reasonably certain he'll be in business as a tobacco farmer years from now, but a lot is riding on how the current controversy plays out. ''Your right to smoke - that translates right down to us,'' he says, climbing into his pickup that is now loaded with several thousand young plants, ready for the fields. ''We could plant out here all day long, but if we don't have a market, then it's all over for us.''

GRAPHIC: Map;
VP;
Color photo;
TAMARA VONINSKI;
Gregory Hazelwood smokes as he hand-picks tobacco on the family farm, near Volens, in the early morning.;
TAMARA VONINSKI photos/The Virginian-Pilot;
A dog named Pedro stands vigil near one of the first indications, heading west on Route 58, that one is in tobacco country.;
Cecilio Palacios, right, and James M. Precliano, center, gather tobacco seedlings from the float system in Tim Shelton's farm greenhouses. The two men are migrant workers from Mexico.;
Far left: At the Shelton farm, Nicolas Cervantes, second from right, and Cecilio Palacios, far right, follow a planting machine to catch missed seedlings. Steve Shelton, background, watches for mechanical problems.;
Left: A stick aids in planting.;

A double row of freshly planted tobacco seems to reach forever on the Manning farm in South Hill. ''Tobacco is gold,'' reads a sign in town.;
Linda Yates heads out to the fields seated on a planter, which is attached to the back of a tractor. The Yates farm is near Danville.

Graphic;
JOHN CORBITT/The Virginian-Pilot;
TOBACCO IN VIRGINIA;
SOURCE: The Tobacco Institute; Va. Dept. of Agriculture and Consumer Services; Port of Hampton Roads.;
(For complete graphic, please see microfilm)

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Rocky Mountain News

May 24, 1997, Saturday

SECTION: NEWS/NATIONAL/INTERNATIONAL; Ed. F; Pg. 54A

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HEADLINE: Tobacco subsidies tough to snuff out
Agriculture committees resist repeated efforts of anti smoking lawmakers

BYLINE: David Hosansky; Congressional Quarterly; Scripps Howard News Service

DATELINE: WASHINGTON

BODY:

Despite mounting criticism of the tobacco industry, members of the House and Senate Agriculture committees are in no hurry to snuff out federal programs for tobacco growers.

Instead, one of Congress' most resilient buddy systems remains intact, as rural lawmakers from across the country are vowing to defend all crop-subsidy and price-support programs - even those that are controversial.

''When you get on the Agriculture Committee, you support a lot of different crop growers,'' said Rep. Ray LaHood, R-Ill. ''Some people hold their nose and support the sugar growers. Some people hold their nose and support tobacco.''

It is this kind of one-for-all and all-for-one loyalty to farmers that will make it difficult for anti-smoking lawmakers to end government programs for tobacco.

Sen. Richard Durbin, D-Ill., is leading efforts to end the program that provides federally backed crop insurance and disaster assistance for tobacco growers. Legislation introduced by Durbin and Rep. Diana DeGette, D-Colo., would require tobacco growers to obtain private insurance if they want coverage.

Anti-smoking lawmakers say their intent is not to undercut farmers but to persuade the government to stop simultaneously criticizing and promoting tobacco.

''When you see the amount that growing tobacco can bring you in profit, it's no wonder that tobacco growers have resisted all this time shifting to other crops,'' DeGette said. ''And yet . . . unlike any crop, tobacco has no safe use, and it should not enjoy the same federal assistance as crops that are used for food or for clothing.''

''If tobacco is so dangerous for America's families, why does the federal government continue to subsidize it?'' asked Durbin, who was 14 when his father, a smoker, died of lung cancer.

Durbin says he has a good chance to get the legislation cleared this year - either as a stand-alone bill or as an amendment to the fiscal 1998 agriculture spending bill. As a House member since 1983, Durbin repeatedly has offered amendments to agriculture spending bills that would have scaled back federal supports for tobacco farmers. Last year's 212-210 vote to scuttle his challenge was the closest.

The Senate, however, is a tougher battleground. Last year, the farm-state alliance easily defeated efforts to pare peanut and sugar price-support programs, and the Senate did not even vote on cutting back tobacco.

Perhaps most remarkably, tobacco was the only major crop to survive the 1996 farm bill without diminished federal support.

Powerful rural lawmakers criticize the latest anti-tobacco effort. ''It's generally something that's promoted for political advantage, and not because it's good legislation,'' said Thomas Ewing, R-Ill., chairman of the House Agriculture subcommittee that oversees tobacco. ''It gets at good people: farmers.''

Unlike those who grow such crops as corn, wheat and cotton, tobacco farmers do not receive direct government payments. Instead, they benefit from a price-support program, in which the government restricts supply as it seeks to prevent stocks from piling up. That keeps prices up.

The program is largely funded by assessments on the industry, although the government pays about $ 15 million of annual administrative expenses. Growers and users pay additional assessments totaling about $ 25 million a year that go into an account to reduce the federal deficit.

The government also provides insurance to tobacco growers who lose crops to natural disasters. That is expected to cost the government about $ 68 million this year.

LANGUAGE: English

LOAD-DATE: May 28, 1997

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Plans to apply tobacco deal to farmers abound

By Gail Gibson
HERALD-LEADER WASHINGTON BUREAU

WASHINGTON -- Congressional plans for enacting a proposed $368.5 billion tobacco settlement are piling up, with the first broad legislation on the deal expected today from a pair of influential senators

The bill is expected to include parts of U.S. Sen Wendell Ford's plan to help tobacco farmers who would be hurt by higher cigarette prices resulting from the settlement between 40 state attorneys general and cigarette makers.

But the legislation will be one of several proposals -- others could give farmers far less protection -- and that creates unpredictability. Farmers were not mentioned in the original settlement, announced in June.

"I think what we have now is utter confusion for the Kentucky farmer," said U.S. Rep. Scotty Baesler, a Lexington Democrat and the only tobacco farmer in Congress.

For example, Sen. Charles Robb, D-Va., this week announced yet a third plan to help farmers -- following plans from Ford and Sen. Richard Lugar, R-Ind.

Robb outlined in a Senate speech Monday a plan to buy out tobacco farmers' "quotas" under the federal price-support program, replacing the program with a semi-private agency that would control tobacco production.

Robb's bill differs from Ford's, which would keep the price-support program, while paying farmers for production losses from expected drops in demand for cigarettes. Lugar's plan calls for a quota buyout, and abolition of price supports.

It's Ford's proposal that will be included in a bill that's to be introduced today by Sens. Ernest Hollings, D-S.C., and John McCain, R-Ariz., said Hollings spokesman Maury Lane.

The Hollings-McCain bill has the advantage of its sponsors' influence -- McCain is chairman of the Senate Commerce Committee, which will handle the biggest pieces of any tobacco legislation. Hollings is the highest-ranking Democrat on the committee.

But another high-profile Democrat, Sen. Edward Kennedy, D-Mass., is actively courting Republican Sen. Orrin Hatch, who is chairman of the powerful Judiciary Committee, for a plan that would have the tobacco companies pay out $737 billion over 25 years, twice the amount they agreed to pay in the original settlement.

The industry is expected to fight Kennedy's proposal

Meanwhile yesterday, details emerged about Robb's plan, which his spokeswoman, Susan Albert, described as a work in progress. It calls for the following:

* Buy-outs for tobacco farmers at a rate of $8 per pound, paid over five years.

* Create a new, semi-private program that would control tobacco production through a licensing system. Robb argued the new system could make tobacco farmers more competitive in the world market.

* Provide economic assistance for tobacco-dependent communities. Communities would get $250 million annually to diversify local economies, attract new jobs and train workers.

Robb did not put a total price on his proposal or include details such as for how many years the economic development money would be made available or how the plan would be paid for. Albert said that information was not available yesterday.

Jerold R. Mande

07/07/97 10:21:17 AM

Fairness

Record Type: Record

To: Thomas L. Freedman/OPD/EOP, Mary L. Smith/OPD/EOP

cc: Toby Donenfeld/OVP @ OVP

Subject: FYI...Tobacco Conversion Article

Tobacco-patch farmers fish for alternative income sources
High school programs pin hopes on tilapia, hydroponic gardening

Houston Chronicle
Saturday, July 05, 1997
By KIM COBB

MOUNTAIN CITY, Tenn. -- Drive through this Appalachian hamlet during the summer months and nearly every little house perched on the side of a hill has a small, lovingly tended patch of tobacco.

It's no more than an acre for most of these folks. But the net profit from that small yield of burley is about $2,500 a year -- good money in a town where a lot of people are getting by on about $10,000 a year.

Most people in the area work at minimum wage jobs in a handful of manufacturing plants. So when there's talk about the demise of tobacco farming, no matter how many years away that may be, the concern is about wiping out one of the few options for supplemental income.

That's where Harvey Burniston, his greenhouses and his fish tanks come in.

While many tobacco-dependent communities are wringing their hands over fears that the lucrative crop will be legislated out of production, Burniston is coming up with options for economic survival that he can teach vocational agriculture students at Johnson County High School.

He's already taught a legion of young people that a small farmer can produce profitable amounts of vegetables year-round in a small, hydroponic greenhouse and find a market for that produce. His students know that's not just theory because they're harvesting as much as 120 pounds of pristine, pesticide-free tomatoes a week from school greenhouses and selling them.

Burniston's latest theory is a work in progress, but he and fellow instructor Kenneth McQueen are convinced that raising and selling tilapia -- a tropical fish native to Africa and the Middle East -- could be just the economic ticket to help break their community's dependence on tobacco.

Using a federal grant and matching funds from the local bank, the high school built a large, geothermically heated and cooled greenhouse and special fish tanks or "raceways" for the tilapia.

The first of the tiny fish arrived in May, no more than a half-inch long, and Burniston's students hope to harvest about 80,000 pounds of mature fish at the end of the school year.

"Legend is that tilapia was the fish Jesus used to feed the 5,000," Burniston said, his eyes twinkling. The New Testament description of using one small boy's lunch of loaves and fishes to feed a multitude of hungry people is a lesson in faith, and Burniston clearly enjoys the parallel.

The United States imported 65 million pounds of frozen tilapia last year, Burniston said. He sees no reason why his students can't tap into that market.

"We're always trying to stay on the cutting edge," Burniston said. "It keeps students interested in agriculture as a career. If all they can do is hoe and do the same old traditional things . . . and don't use the newest, innovative technology, they lose interest and want to go somewhere else."

At a time when people are more concerned about diets low in saturated fat, Burniston said, tilapia is a healthy alternative. He thinks the market is wide open right now.

State Sen. Rusty Crowe of the governor's committee for alternative agriculture arranged for the Johnson County High School team to meet representatives from a company called Frontier Aquatics, who eventually wrote the grant proposal to fund the greenhouse and tanks.

Judging by the steady stream of visitors the tilapia project is drawing, Frontier Aquatics is getting the exposure for their company they'd hoped for. And some of those visitors are also asking if Burniston and instructor Kenneth McQueen will have students trained and available to run similar operations for them by the end of next year.

Ed Walker, 18, just graduated from Johnson County High and will be working as a full-time technician at the school fish farm. He said he'd have to wait for his family's six acres of tobacco to come in before he'd have money for college, anyway, and "this may be schooling enough."

Burniston and McQueen probably won't leave to manage another businessman's fish operation, he said, grinning, "But I might."

McQueen, who has previously raised catfish in ponds, says they plan to produce fish for market on a monthly basis once the operation gets fully under way. The fish will be fed four times daily, he said, and the water quality will be closely monitored. The tilapia will be harvested when they are between 1 ¼ and 1 ½ pounds, he said.

The newest greenhouse will do double duty. Special sliding platforms will be installed over the tanks to allow the students to raise hydroponic lettuce above the fish.

A farmer would need about $30,000 to set up a 30-foot-by-120-foot hydroponic greenhouse, Burniston said, but it could net him $15,000 from tomatoes in the first year. Building a fish farm similar to the high school operation would cost about $100,000, Burniston said, but it could recoup the cost of construction in the first year.

In an economically depressed community like Johnson County, starting up even a small hydroponic vegetable operation or a fish farm would take capital the locals just don't have. So the high school program also teaches the students how to develop a business plan to show a banker.

Burniston says a profitable operation would probably need several growers in the area (he's pursuing another grant to set up a co-op) since most buyers want 8,000 to 10,000 pounds of fish per haul.

McQueen explained with some embarrassment that high school teachers like himself are pulling down some of the highest salaries in the county. A lot of people say they can do better on welfare, "and that's why this concept (alternative agriculture) is really coming on."

"And that's why tobacco has been so big here," McQueen said. "That acre of tobacco is a big deal."

Tobacco Farmers Lobby for Slice of Settlement To Protect Them Against a Decline in Demand

By JEFFREY TAYLOR
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Tobacco farmers, initially hostile to the proposed $368.5 billion nent crafted by cigarette makers, state attorneys general and public-health advocates, have now begun to explore what's in it for them.

Representatives of tobacco-state farm bureaus are expected to meet today with Clinton administration officials, including White House adviser Bruce Reed and n and Human Services Secretary Shalala. Their message: Any tobacco deal approved by the White House and Congress must include protections for farmers hurt by dwindling demand for tobacco.

"Everybody's being considered except for the grower," says Wayne Ashworth, president of the Virginia Farm Bureau. "I'm sure that the tobacco companies had very good reasons for negotiating the settlement, but they and everyone else needs to realize that we can't be left out in the cold."

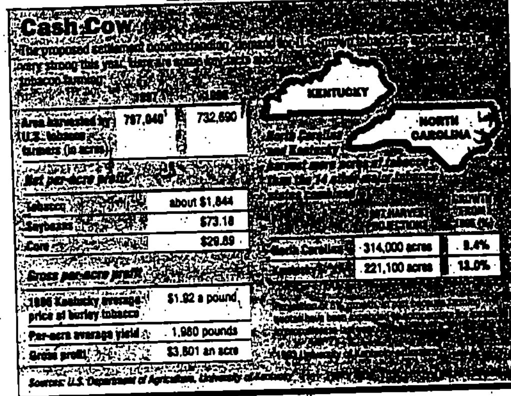
In addition to the White House, lobbyists for tobacco farmers plan to target a big group of sympathetic tobacco-state lawmakers, including House Commerce Committee Chairman Thomas Bliley of Virginia. At a minimum, they say, any legislation approved by Congress will have to include substantial funding to offset farmers' losses. "To focus on a dollar figure at this stage would be a mistake; we plan to talk programs now and see where that leads us," says John Keeling, a lobbyist for the American Farm Bureau Federation.

Switch to Alternative Crops

One proposal floated on Capitol Hill: To earmark $6 billion of the money tobacco companies pay under the settlement to help tobacco farmers switch to alternative crops. That notion has proved unpopular among some farmers because tobacco, in the hot and humid regions ideal for its growth, is far more profitable than other cash crops. Another idea, requiring tobacco companies to use a higher percentage of U.S.-grown tobacco leaf in cigarettes, appears to have more support. Mr. Bliley, for one, has sought such assurances from cigarette makers: "I told the CEO of Philip Morris, Geoffrey Bible, that he needs to get his people out to reassure the tobacco farmers that they are going to be using their leaf as opposed to imports," the Virginia Republican said.

News of the settlement angered many tobacco farmers, and cigarette makers have been working hard since it was announced to prevent a rift in the historically warm relations between growers and manufacturers. J. Phil Carlton, a key negotiator who represents RJR Nabisco Holdings Corp., made rare public comments to a North Carolina newspaper after the settlement was announced, to assure tobacco farmers that he is "sensitive to their issues" and predict that "farmers are going to come out fine."

Lawmakers such as Mr. Bliley and Republican Richard Burr of North Carolina, whose congressional districts contain both farmers and employees of big cigarette makers, will have to reconcile the views of these two core constituencies.



Studying the Economic Impact

Mr. Burr, whose Winston-Salem district includes both an RJR Nabisco manufacturing plant and tobacco farms, has asked the General Accounting Office to study the economic impact of the proposed settlement on farmers and other small businesses. "The parties negotiating this agreement failed to consider the impact of their decisions on other industries involved in the growth, sale and production of tobacco products who have been left out of the talks," Mr. Burr wrote to the GAO.

Even tobacco's most strident opponents don't want to penalize farmers for the perceived sins of cigarette makers. "There was never any intention to hurt the farmers," Matthew Myers of the Campaign for Tobacco-Free Kids said at a recent Senate hearing on the settlement. "This agreement isn't designed to make sudden changes that would irk them," but rather lead to gradual smoking reductions for which farmers would have ample time to prepare.

In Congress, industry critics say they would support some form of compensation for farmers in any deal that is enacted. Phil Schiliro, a spokesman for tobacco foe Rep. Henry Waxman (D., Calif.), envisions programs similar to those included in the 1990 Clean Air Act, which provided job retraining and education for coal miners put out of work by the act's strict limits on sulfur-dioxide pollution from the burning of coal.

In addition to the White House meeting, farm-bureau representatives presented their case to dozens of lawmakers last night at a reception hosted as part of their annual July meeting in Washington. "Our group is talking about the lasting effects of this settlement on jobs and on farmers' livelihood," says Bill Sprague, president of the Kentucky Farm Bureau. "The Kentucky congressional delegation, to a person, has said they are determined to be sure the interests of tobacco farmers are considered."

These outpourings of sympathy notwithstanding, tobacco farmers still face a few pitfalls in Congress. Today or tomorrow, the House will consider an amendment to an appropriations bill sponsored by Democratic Rep. Nita Lowey of New York that would eliminate federal crop insurance for tobacco farmers, which gives them a hedge against bad harvests and weather-related disasters. The Congressional Budget Office estimates that the amendment would save $34 million. A similar measure offered by then-Rep. Richard Durbin (D., Ill.) failed by two votes last year.

THE WALL STREET JOURNAL
WEDNESDAY, JULY 16, 1997

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Tobacco Fairness

Commodity Growers Cooperative Association
in affiliation with the Burley Tobacco Growers Cooperative Association

The Honorable William J. Clinton
President, United States of America
The White House
Washington, DC

tobacco consider

Dear President Clinton,

As a member of the National Commission on Small Farms, I sincerely appreciate your interest in the future of small farms and rural communities. On behalf of the 150,000 tobacco farmers in Kentucky, Ohio, Indiana, West Virginia and Missouri, we encourage you to highlight this concern for small farms by conducting a Presidential Summit on Farming Communities in Kentucky. Kentucky's 89,000 farms, the large majority of which are tobacco farms, face the most uncertain future of any small farms in this nation.

In addition to our region's farms, tobacco accounts for half or more of total farm sales on nearly one-third of African American-operated farms in the east coast states from North Carolina to Maine. For decades these farms and communities have relied on a partnership between the federal government and our farm organizations, a partnership originated over fifty years ago. In the upcoming Congress, this partnership, the tobacco price program, will be reexamined in light of the proposed global tobacco settlement.

We request your personal attention to any restructuring of this historic program and to the future of farming communities whose economies, culture and environmental quality are intrinsically linked to tobacco farming. We urge you, your Cabinet and Congressional leaders to meet our local community leaders -- farmers, physicians, business people, church leaders and ordinary citizens -- in a Presidential Summit on Farming Communities.

Words cannot express my appreciation for this opportunity to meet with you, your staff, Secretary Glickman, Congresswoman Clayton and farmers from around the nation.
We truly believe that the concerns of small tobacco farmers, particularly African American farmers, and our communities deserve your continued attention. We encourage you to maintain the focus that a Summit might bring to small farmers, African-American farmers, and all farm families and offer our assistance in any way possible.

Sincerely,

Karen Armstrong-Cummings
Commodity Growers Cooperative

Rod Kuegel, President
Burley Tobacco Growers Coop

Karen Armstrong-Cummings
Managing Director

Suite 206, 620 S. Broadway, Lexington, KY 40508
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The President's Summit on Farming Communities -
A Proposal to the Honorable William J. Clinton, President of the United States
from the Burley Tobacco Growers Cooperative and the
Commodity Growers Cooperative

We, the tobacco farmers of Kentucky, Ohio, Indiana, West Virginia and Missouri, invite President Bill Clinton to conduct a Presidential Summit on Farming Communities in this nation's most tobacco income dependent state - Kentucky. We request that you and this Congress carefully examine the success of the tobacco program, clearly evaluate and build on its economic, social and environmental successes and challenges in considering and crafting plans for this region's future.

We invite you to conduct a Summit Roundtable similar to the successful 1993 Northwest Forest Summit in Oregon, crafting a plan with those who care about the future of our rural communities, those of us who live in the tobacco farming states. This dialogue would enable local people to describe the highly complex, but highly successful, tobacco program, particularly the farmers and the communities, towns and cities directly affected by tobacco income. Together with your leadership, we can build a plan to restructure, equitably, the existing partnership which sustains our land, our communities and our economy. This dialogue should include our health community-- our local doctors and health officials who live in communities supported by tobacco farmers' income.

Throughout this nation our small farmers, particularly those African-American and limited-resource farmers, are calling upon this Administration to act, today, for our farming communities' future. Nowhere are farm families and communities experiencing a future so uncertain as those in tobacco producing states. The upcoming National Commission on Small Farms' report, coupled with pending Congressional debates on the global tobacco settlement, provide this Administration an unprecedented and historic opportunity to lead America's small farms and rural communities into a more prosperous and sustainable future.

America's tobacco farming regions need this nation's understanding and involvement today unlike any other time in our country's history:

- Over 100,000 small farms, owned by more African-Americans than in any other region of the country, annually renew our connections to the land through spring plantings and fall harvesting, knowing it is not just the crop but the tobacco program that sustains farms and communities;
- Our farming communities' partnership between the federal government and tobacco farmer organizations originated when national economic wizard Bernard Baruch worked with tobacco farmers, developing a system, equitable for farmers--a highly successful partnership enduring over five decades;
- The global tobacco settlement's potential economic impact on tobacco production and current Congressional trends to uncouple government from farming, ensures that small farms, particularly in the Appalachian areas of Kentucky, West Virginia, North Carolina, Tennessee and Virginia, will fail and our communities will deteriorate. America's tobacco producing Appalachian mountain counties are this nation's most tobacco-income dependent counties, since off-farm income is sometimes nonexistent and tobacco constitutes most agricultural production.

A Presidential Summit, involving you, our Congressional leaders, and the many federal agencies involved in the complex issue of tobacco production and control, would enable an open examination and dialogue about the future of this region. Farmers, community, church and civic leaders, whose future will be forever changed by actions of your Administration and the 1998 Congress could discuss openly, and devise together, a Presidential Plan for Sustaining Farming Communities, targeted on the tobacco region whose farms are most at risk. We offer our support and look forward to assisting under your leadership.

Background Information
presented to the National Commission on Small Farms

Even before members of Congress began submitting bills to phase out the tobacco program, farmers and farm organizations spoke to the National Small Farm Commission of uncertainty and hopelessness pervading the tobacco farming communities, pleading with the Commission to consider the special needs of this farming population. For over five decades, small farmers, African-American farmers and new and beginning farmers in these states have been cushioned from many economic pitfalls facing other farmers, by a tobacco price support and production control program. This partnership between the federal government and tobacco farmer organizations originated with an historic federal government and farmer partnership when national economic wizard Bernard Baruch work with tobacco farmers and develop a system that was fair and equitable for farmers.

The resulting tobacco program, not simply the crop itself, has enabled small farmers to experience a comfort unlike any other farm group -- assurance and certainty based on a system that works. Not a subsidized system, the tobacco program's success has often further clouded dialogue as uninformed groups urge farmers to take up "alternatives to tobacco." Such misguided advice fails to recognize that even green bean farmers, given such a program and market structure, would fight to their death any attempt to change.

As tobacco farmers participate in other agricultural markets, they count the dwindling profits from other products, and watch neighboring dairy and livestock farmers failing. Tobacco farmers are perplexed by well-intentioned, though profoundly faulty offerings that others say are "alternatives." It's not just the tobacco crop for which there is no alternative, but the tobacco program.

Support structures, the lack of which have haunted other farmers without such opportunity, include access to credit, market stability, a farmer-based decision-making structure, and decades of production experience. This structure provides the autonomy to experiment with other crops and products. Most importantly, the tobacco program has enabled small and African-American farmers throughout the south and Appalachian regions to continue farming, even as pressures mounted from all sectors of society to replace the crop with another.

Throughout these decades, farmers, frustrated by community and often their own families' urging, have worked to supplement or replace the crop, experimenting with a vast range of alternatives. Throughout these decades, farmers continue to rely on tobacco. Baffled that few understand the program's importance, a refrain from the stymied tobacco community reverberates that, "It's not just the crop, it's the tobacco program."

It is no accident that the tobacco states and communities, including North Carolina, Kentucky, Tennessee, South Carolina, West Virginia, Virginia and Maryland, also represent among the highest concentrations of small and African-American farms. Tobacco income is particularly important to limited-resource farmers, African American farmers and the Appalachian regions of the upper South. In these same areas, again in the mountain regions, off-farm income is limited or nonexistent, poverty rates are high, and tobacco farm income constitutes a greater portion, not only of agricultural income, but overall economic income.

In the Appalachian counties of Kentucky, the tobacco-income dependent counties include those farmers most at risk in our nation. In Eastern Kentucky's Owsley County, for example, the poverty rate in 1990 was 50%. Because of the limited availability of off-farm jobs, agriculture is the area's dominant income and the dominant agriculture is tobacco. Welfare reform has only further increased tobacco's importance to the communities.

In the 18th Annual Family Farm Report to Congress (1993), the USDA reported that although the Corn Belt had the largest number of farms in 1993, the Appalachian Region (Kentucky, North Carolina, Tennessee, Virginia and West Virginia) was second with 299,000. "Farms, however, were considerably smaller in the Appalachian Region than the Corn Belt in terms of average acres, average gross cash income, and average gross sales," adding that 85% of America's tobacco farms are in this region.

The USDA reported 91,787 tobacco farms, with 147 acres (mean acres operated), producing $32,000 (mean gross cash income), and as shown in the following table, the tobacco states correspond to those states with large numbers of small farms.

Share of small farms within tobacco states*

State	Percentage of Small Farms in the State
Indiana	55
^Kentucky	73
^North Carolina	63
Maryland	61
Missouri	67
Ohio	61
South Carolina	76
^Tennessee	82
^Virginia	74
^West Virginia	88

'92 Ag Census ; ^Indicates Appalachian Region state where 85% of tobacco is produced.
*This listing does not include states such as Connecticut and Pennsylvania where tobacco accounts for only a very small portion of overall agricultural production.

Tobacco, grown primarily in the upper South where many African American farms are concentrated, has provided stability and profits as their "supplemental" farm products have failed. According to the 1992 Census of Agriculture, tobacco accounts for half or more of total farm sales on nearly one-third of African American-operated farms in the east coast states from North Carolina to Maine.

Although tobacco production has been a source of controversy for years, the tobacco program more recently became the focus of more concerted and serious examination with the landmark "global settlement" between the states attorneys general and the tobacco companies in June of 1997. This 368 billion dollar settlement, if approved by Congress, will drastically change federal regulatory and health policy regarding tobacco sales, distribution and by all predictions, tobacco production. The tobacco farmers and the tobacco price support program were not addressed in the proposed tobacco settlement.

Since June, several major Congressional proposals have been introduced affecting both the tobacco product sales, tobacco production and the tobacco program. Even since the Commission's single meeting in tobacco country, held in Memphis shortly after the settlement was announced, Congressional hearings have begun on the tobacco settlement and bills have been introduced to end the tobacco program.

The Commodity Growers Cooperative requests President Clinton, the Administration's Cabinet, USDA in particular, and Congress to carefully study, within the next sixty days, the success of the tobacco program, and to clearly evaluate the economic, social and environmental impact of program changes. This study would assess the complex social, economic and environmental impact of the federal price support's 50 year program in the tobacco-producing states, particularly with input from the farmers and the communities, towns and cities directly affected by tobacco economy.

This study must examine the range of social and economic factors associated with the tobacco price support and production control program, the interaction of this program with regional social and economic systems, and the program's impact on small farmers, African-American farmers, rural communities and urban centers in and Southern region of the United States, developing recommendations for systems and processes to stimulate and sustain local economies in the event that the tobacco program is phased out.

The USDA should conduct this review jointly with other partners and agencies concerned with the full range of a healthy community, including other federal agencies, such as the:

o Federal agencies: Appalachian Regional Commission, Department of Commerce, Environmental Protection Agency, Health and Human Services, Housing and Urban Development, Department of Labor, Tennessee Valley Authority;

o State and local governments, including associations such as the Southern Governors Association, the National Association of Counties, National League of Cities, which provide liaison with state and local governments;

o Private sector representatives including farm service and supply businesses, banks and other lending institutions, manufacturers and small businesses, and organizations which work with local private sector groups; regional and locally based community development corporations;

o Farm organizations and cooperatives; and,

o Nongovernmental organizations working with farmers, rural development, public health and community economic development.

The USDA should request and assist the Office of the President, jointly with states' Governors and Congressional delegations, in convening town meetings and community gatherings throughout the tobacco producing states to solicit input and recommendations for sustaining healthy tobacco communities, particularly where small and limited-resource farmers, African-American farmers, and new and beginning farmers operate. The USDA, together with the President's Commission on Sustainable Development, should examine and assess, in addition to the tobacco program, the systems and programs for ensuring farmer-based, locally driven community development consistent with good stewardship of the region's natural resources.

The USDA, Congress, and the Office of the President should consider targeting the National Commission on Small Farms' suggestions and recommendations which concerning access to credit, market development and opportunities and new farmer initiatives to the tobacco producing states and communities for priority testing and implementation in 1998, based on the lessons learned from the assessment described above and the process for its development.

As outlined in the discussion presented above, all tobacco farmers in these states currently have a safety net which Congress is considering cutting out from under them, thus all tobacco farmers, their communities and urban centers will be at great risk, the extent of which is currently only speculative. Agricultural economists in Kentucky estimate that as many as 50% of the tobacco farms could be eliminated, if the tobacco program is terminated, primarily the small farms. The small, limited-resource and African American farmers, who are also tobacco farmers, are concentrated in these states and should be provided the immediate opportunity for testing and developing the new systems in particular.

The Federation of Southern Cooperatives/ Land Assistance Fund

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

FSC/LAF

TELEPHONE (404) 765-0991
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July 25, 1997

The Honorable William. J. Clinton
1600 Pennsylvania Avenue, N.W.
Washington. DC 20500

Dear Mr. President:

The Federation of Southern Cooperatives/Land Assistance Fund (FSC/LAF) has worked for more than a quarter century to organize community based cooperative economic development programs among 25,000 low income families in over 100 communities in the rural South. On behalf of the thousands of people we serve -- people living in some of the most depressed rural counties in America -- FSC/LAF would like to request a meeting with President Clinton, at his convenience, to discuss the implications of the tobacco deal on our members.

As a community based organization focused on encouraging the development of self-sustaining communities in the rural South, we are concerned that the rhetoric of the tobacco wars, will overlook the ultimate victims, the tobacco farmers who grow a legal crop. We could like to discuss the possibility of building protections into this agreement that would ensure the vital economic interests are addressed. Tobacco is a main crop to minority farmers all over the South, many of our members depend upon tobacco to put food on the table, educate our children, and maintain the ability to remain a contributing members of our societies, rather than a drain on the limited resources poor communities have to rely on.

Black farmers in the rural South have been in a continuous crisis for the past 50 years. They have faced not only general decline in the farm economy, but also neglect, racial discrimination, and economic exploitation. A viable economic interest in the rural South is tobacco. If such safeguards are not addressed in the negotiations, the lifeblood of many of our members will be stripped away from them, causing yet another tragedy from the "Tobacco Wars." However, at this time, it will not be a multi-million dollar, international tobacco corporations, instead it will be the backbone of many of the poorest communities of the country, the farmers, who grow tobacco to survive in the ever-changing, seemingly already over-regulated agricultural sector. We cannot accept additional Black land loss due to the loss of income. We need your support to protect small Black family farmers during these negotiations.

Thank you for your time in considering this request. We look forward to hearing from you on this concern.

Cooperatively yours,

Ralph Paige

Ralph Paige
Executive Director

cc: Bob Nash
Eva Clayton
Jim Clayburn
Sanford Bishop

Statement by Ralph Paige
Federation of Southern Cooperatives/Land Assistance Fund at the Meeting with President Bill Clinton on Limited Resource Farmers
16 December 1997

I want to thank you Mr. President for calling this meeting today with Minority Farmers. This is especially important since the root cause of the decline of African-American farmers and the loss of African-American owned land is directly tied to historic racism in the United States. Since 1920, African-American farmers and land owners have lost close to 15 million acres of land. African-American land loss is a critical issue given your recently created Commission on Race. I applaud your leadership in this effort. Also, the follow-up Round Table Discussion on race at Tuskegee held by Secretary Dan Glickman was excellent and timely. We support the USDA Civil Rights Action Team efforts to address the complaints that were expressed in listening forums around the country early this year and support full implementation of the '92 CRAT recommendations. However, there are many concerns that yet need to be addressed by you, Mr. President and they include the following:

- In 1983, under the Reagan Administration, the USDA dismantled its Civil Rights Complaint Division. This division needs to be reestablished on a permanent basis. In addition, the U.S. Counsel General's office should stop impeding settlements of cases that have been proven discriminatory.

Credit

- There needs to be a repeal of some credit provisions in the 1996 Farm Bill, especially, those that do not allow farmers to receive operating and ownership loans if they have previously received a write down or debt settlement. This is critical to the future ownership of farms by the African-American community.

- Fully fund the ownership and farm operating loan programs at a minimum of $85 million and $500 million respectively. An equitable percentage of these loans should be targeted to minority farmers.

- Designate a minimum of one-third of the Fund for Rural America's budget to the needs of disadvantaged customers.

- Fully fund the Extension of Indian Reservations programs.

Outreach

- Fully fund the outreach and technical assistance program for socially disadvantaged farmers (2501) at the authorized level of $10 million annually.

- County Committees - Institute policies to ensure participation of African-Americans and other minority farmers on FSA county committees.
- Support appropriation of $10 million for the Cooperative Development Grants Program (formerly Section 2347).
- Guarantee market access for small and limited resource farmers, i.e., target resources for market development and creation of value added processing.
- Tobacco Farmers - Guarantee that African-American tobacco farmers who have suffered the most, be part of any settlement in the pending lawsuits with tobacco companies.
- Implementation of the Minority Farmers Registry (CRAT recommendation No. 28) to establish a base-line of land ownership by people of color in this nation; and a level to build from so we will not lose a single additional acre of land.

We feel that these recommendations and concerns are key to ensuring that African-American farmers remain part of this country's agricultural system and to the survival of rural America.

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H.R.

In the House of Representatives

A Bill

A bill to establish a national Commission on the Future Growth and Production of Tobacco in America, to assess and make recommendations on the future alternatives to tobacco growing and production in the United States and for other purposes.

Short title: This Act may be cited as the, "The Tobacco Farmer Families and Communities Future Economic Viability and Stabilization Act of 1997"

Findings: The Congress finds that -

a) the use of tobacco products are a major cause of cancer, heart disease, emphysema, stroke, chronic obstructive lung disease and other conditions and that new efforts must take place to reduce the disease and death caused by tobacco use, including the use of such products in tobacco growing states.
b) the role of American-grown tobacco in the world markets has greatly diminished.
c) the amount that the US tobacco farmer earns per package of cigarettes was about 3 cents to the dollar in 1991 as opposed to 16 cents in 1957.
d) the tobacco companies have increasingly moved their growing and production operations overseas.
e) new economic alternatives are needed to be provided to tobacco growing regions and communities that will offer the opportunity for those farmers wanting to transition out of the tobacco growing business to do so
f) public attitude surveys of tobacco farmers, particularly farmers under the age of 45 have shown that approximately 67% of such farmers have expressed a strong interest in trying other on-farm ventures to supplement or replace tobacco.
g) public attitude surveys of tobacco farmers have also shown that while willing to look at supplementing or replacing tobacco they are concerned about lack

of processing facilities for other crops as well lack of capital and loan interest loans.

h) a 1994 Lexington Herald Leader poll showed that 75% of tobacco farmers polled would be interested in alternatives to growing tobacco.
i) emerging technologies offer new opportunities to diversify the nation's agricultural base and to seek other uses for tobacco,
j) New opportunities and options should be considered both in the short term as well as long term that will provide tobacco farmers and their families with stable economic alternatives to the production of tobacco.

Section 1. The Secretary of Agriculture shall establish a national Commission on the Future of Tobacco Production and Growth in the United States (hereinafter referred to as the "Commission").

Section 2. Members of the Commission

a) (1) The Secretary shall appoint twelve persons to serve as members of the Commission. Such members of the Commission shall include:

1) two members representing the interests of the flue-cured and burley growers
2) a member with expertise in agricultural economics
3) a member with expertise in small business
4) a member with expertise in issue related to sustainable agriculture
5) a member with expertise in venture capital
6) a member who has developed or implemented a diversification program
7) a member who represents the interests of the public health community
8) two members representing state and local governments where tobacco is produced.

9) two additional members deemed by the Secretary to be qualified to provide the necessary expertise in assisting the Commission in carrying out its responsibilities.

(2) Appointment of Chairman---The Secretary shall appoint the Chairman of the Commission

(3) No individual who is a full-time officer or employee of the United States may be appointed as a member of the Commission. The Secretary of Agriculture, the Secretary of Department of Health and Human Services shall appoint a designee to provide liaison with the Commission.

(4) Meetings - Seven members of the Commission shall constitute a quorum but a lesser number may conduct hearings. The Commission shall meet at the call of the Chairman or at the call of a majority of its members.

COVER STORY

Virginia region braces for bill's impact

Residents depend on industry for livelihoods

By Melanie Wells
USA TODAY

DUNDAS, Va. — Farmers Jerry Jenkins and Bill Coffee are eyeing two dusty tractors as they might regard a pair of swimsuit-clad beauty queens if it weren't planting season in tobacco country.

"If you go broke, the John Deere's worth more at sale," Jenkins, 60, says to his friend, who's partial to bumper stickers and personal checks emblazoned with the message: "Tobacco money pays my bills!"

"I should be looking at another 25 years in the tobacco business," says Coffee, 39 "Right now, I don't know if there's going to be a next year."

This is one of the few pockets in the USA where tobacco isn't an evil business; it's an accepted way of life. Tobacco farms dot the countryside. Some 70 miles north, in Richmond, Philip Morris, the world's largest tobacco company, cranks out 30 million packs of cigarettes a day at its most-productive tobacco plant — one of the USA's largest. As the 1998 growing season opens, farmers, tobacco workers and suppliers nervously watch the political horizon.

Washington is debating a landmark tobacco-control bill that will change not just a business but the lives and careers of tens of thousands of people touched by it. The mood in the Richmond area is one of trepidation. People with business ties to Philip Morris are preparing for times that are less flush. Oscar Giles, a factory employee and local union officer, is doing his own yard work and maintenance at home instead of hiring someone to do it. Companies with Philip Morris contracts are looking for other clients.

"There's practically no company in this town that doesn't depend on Philip Morris in one way or another," says Stephen Spain, an official of the International Association of Machinists and Aerospace Workers, which represents 1,200

Please see COVER STORY next page ▶

Continued from 1B

Philip Morris employees.

Ted Lushch, president of Jerry Bros. Industries, a conveyor-belt distributor near the Philip Morris plant, says 5% of his business comes from the Marlboro maker. That's less than several years ago, but Lushch began seeking more customers after Philip Morris started cutting suppliers in 1993.

COVER STORY

"There's a large contingent of people in Richmond who aren't comfortable with what Philip Morris produces, but they're foolish to think the company could walk away and Richmond would be the same," he says.

The tobacco industry's $368 billion settlement, agreed on last June, was dead on arrival on Capitol Hill. Instead, the Senate Commerce Committee passed a tougher bill that would cost tobacco companies an estimated $516 million over 25 years and, some tobacco executives have said, could bankrupt them. It also would raise the price of a pack of cigarettes by $1.10 over five years to discourage teen smokers, curb tobacco advertising and strengthen regulation of tobacco products. Some in Congress, including House Speaker Newt Gingrich, say that bill is too liberal.

Cigarette makers vow to fight the bill. But in the Richmond area, there's greater concern that a damaged Philip Morris and reduced demand for cigarettes in the USA will crimp a local economy long undergirded by Philip Morris' payroll. The company pays its 8,000 Richmond-area employees $447 million a year in salaries, wages and benefits, says the Bureau of Business Research at the College of William & Mary.

Feeling change

The company may already be affected by uncertainty over what the government may require to discourage children from smoking. Philip Morris reported a 5.7% rise in its first-quarter profit last week, but the growth was led by gains in its international tobacco and North American food businesses. The tobacco maker reported slimmer gains in its domestic tobacco profits.

Ask anyone — from the trendy set that gathers at the Tobacco Company restaurant in downtown Richmond to the more conservative members of Dundas Baptist Church — and they'll tell you that they feel whatever hurts "Uncle Phil."

Eddie Padow, owner of Padow's Hams & Deli, says it may take time for everyone in Richmond to feel the changes in the tobacco business. He says he'll buy fewer cigarettes if prices go up.

"When I started smoking, cigarettes were 39 cents a pack," says Padow, who has emphysema.

Even tobacco critics acknowledge Philip Morris' contributions to Richmond, where the company is a prominent sponsor of civic and arts activities.

"I don't like the tobacco industry's product, but I see the value of its contribution to the economy," says Richmond resident Jason Girard, 23. "A lot of businesses here will suffer with a downturn."

High-tech growth

But fewer Richmond residents and businesses will suffer than in the past, says Crestar Bank economist Christine Chmura, who stresses the region's success in attracting high-tech companies, such as Motorola. Fewer people work in the tobacco industry now. Tobacco manufacturers employed 11,800 locals in 1990, down from 16,000 in 1980, state figures show.

"Historically, because of the presence of Philip Morris, Richmond was thought of as a tobacco town, but given the slower growth in domestic demand for cigarettes and the emergence of other fast-growing industries, Richmond has begun to lose that image," Chmura says.

Those affiliated with the tobacco industry might disagree. But they're more concerned about their jobs.

Just ask James Dawson. Dawson, 37, has worked at Philip Morris for 19 years but fears his days in the cigarette business may be as numbered as the Marlboro Man's, whose brim-shaded face is ubiquitous on billboards here.

Dawson, who runs a machine that makes Marlboro cigarettes, is among the workers whose workweek and paycheck have been clipped 20% since earlier this year when Philip Morris announced cutbacks.

Philip Morris spokeswoman Karen Daragan says the company wants to reduce costs and raise productivity. Analysts say it is reacting to the uncertainty in Washington. "They're cutting expenses in order to meet future needs," says Branch Cabell tobacco analyst Steven Marascia.

The company in February offered early retirement and separation programs for nearly 2,000 salaried and hourly employees. Richmond is likely to be most affected. The company expects 1,300 employees there — or 16% of its local workforce — to sign up for the programs. Philip Morris also is phasing out cigarette manufacturing at one of its Richmond facilities.

"My job is on the line the way the industry is right now," Dawson says. "I've made cigarettes my whole life. If anything happened with me and Philip Morris, my career in this industry would be over. How does anyone write a résumé and say, 'I've run a cigarette-making machine for 25 years'? It's great if you're going to another tobacco company, but if you're not, it doesn't matter."

Down the road

Says Scott & Stringfellow tobacco-stocks analyst Jack Kasprzak: "People here are not excited about taking up arms and fighting the fight; they would have liked to have had a settlement and to go on with their lives."

To be sure, there are a few people who have gotten a whiff of opportunity in tobacco's trouble.

Just 20 miles south of Philip Morris' plant, discount cigarette maker Star Tobacco & Pharmaceutical quietly watches industry developments. Although the 120-person company markets low-priced smokes called Vegas, Gunsmoke and Sport, its executives hope its future business will be in safer cigarettes and in gums and lozenges it's developing to help people quit smoking. The company says it has patents pending on a process that removes cancer-causing agents from tobacco and cigarette smoke.

But that's still down the road.

More immediately, as tobacco farmers begin planting this month, they'll tuck fewer plants than usual into earth that has been upturned and ready for several weeks. Cigarette makers told the U.S. Department of Agriculture that they plan to buy 15% less flue-cured tobacco — a popular leaf used in cigarettes — this year. That means tobacco growers will be required to cut the amount they grow by 20%.

Under the bill proposed by Sen. John McCain, R-Ariz., tobacco farmers would receive $8 a pound for flue-cured tobacco over 10 years. The settlement reached last June made no provision for farmers. Even so, growers worry that the 10-year span of payments and taxes on them will cut into their livelihood.

Gem Jenkins frets that her husband, Jerry, a third-generation tobacco farmer, won't be able to retire. Although the couple also grow soybeans and wheat, their 30 acres of tobacco land provide most of their net income — between $35,000 and $40,000 in 1997.

"He has worked like a dog," she whispers tearfully over a sandwich in her kitchen. "I see him breaking."

A way of life

Like some other tobacco farmers and Philip Morris employees, neither Jenkins nor his wife smoke. But their ties to tobacco are just as emotional. They scent drawers in their home with clove-laced Indonesian cigarettes. And instead of dried flowers, the Jenkins decorate their den with dried, butterscotch-colored tobacco leaves. Prod Jenkins or almost any farmer for his favorite childhood memory, and they'll smile and ask, "Have you ever smelled tobacco?"

"It's a way of life more than a way of making a living," Jenkins says.

/ cConnell, ‿ugar want ,o cut off tobacco aid

Proposal would buy out farmers, kill price supports

front page

By JAMES R. CARROLL
The Courier-Journal ,

WASHINGTON — Republican Sen. Mitch McConnell, joined by Sen. Richard Lugar of Indiana, yesterday proposed abolishing the tobacco price-support program.

McConnell's action, a surprising break with Kentucky's Sen. Wendell Ford — a Democrat and consistent champion for tobacco farmers — marks the first crack in a 60-year wall of unanimity on tobacco issues by Kentucky's congressional delegation.

McConnell and Lugar — chairman of the Senate agriculture committee — proposed an $18 billion plan to buy out farmers and help tobacco-dependent communities adjust to new political and economic realities.

McConnell announced his position as the Senate prepared to debate landmark legislation that could exact hundreds of bil- li s of dollars from the tobacco industry to settle lawsuits and combat smoking by teen-agers.

McConnell and Lugar, a Republican, said they will attempt to amend that tobacco legislation, sponsored by Sen. John McCain, R-Ariz., to include their proposal for tobacco farmers.

"Ladies and gentlemen, the tobacco program is mortally wounded," McConnell said at a Capitol Hill news conference. "So today, the question before us is not whether the tobacco program will end, but when will it end, and how?"

The tobacco price-support program prevents overproduction of tobacco and guarantees a minimum price for farmers. The farmers finance the program, except for a small amount paid by the government for administration.

McConnell's proposal sharply differs with a plan offered by Ford, Kentucky's senior senator, who battled with Senate colleagues in recent months to win its inclusion in the tobacco bill now before the Senate. Rep. Scotty Baesler, D-6th District, has introduced a measure similar to Ford's in the House.

Ford issued a blunt riposte to McConnell's pro- p l.

"I think it's time to get the hound dogs out and see if we can find the senator who's sup- p d to be representing our tobacco farmers," the Democrat said in a written statement issued by his office.

"The Lugar amendment is a misleading bribe 'o tobacco farmers," Ford said. "It would require over 40 percent of the money under the McCain bill over the next three years, something most farmers should know is unrealistic. In my judgment, this is a sad day for our Kentucky farmers, and a day I believe they won't soon forget."

Kentucky farmers reacted with alarm, predicting disastrous consequences.

"That's crazy as the devil," said William Balden, a retired Danville farmer who still has an interest in a warehouse there. "The program's the most valuable thing the farmers have. If it's voted out, tobacco can be grown in California, Arizona, all over the U.S. There is no way Kentucky can compete on our small farms."

(1)

E et Hizer, who farms with two brothers in Hardin County, said calamity would spread from farms to farm communities. "It will just bankrupt little banks in small communities," he said. "Smaller businesses will go under. I think it will be devastating to this part of the state."

And Baesler, who is running for the Senate seat Ford is vacating by retiring, also issued a sharp reply.

"If Ford's bill is not accomplished, it's McConnell's fault," Baesler said. "He's turned his back completely on Kentucky farmers. . . . Right now is when we need a united front."

McCONNELL said yesterday he would prefer to keep the price support program but that the political atmosphere has changed so dramatically in the past few years that the program is sure to die eventually. With a tobacco measure before the Congress, he said, it's the right time to take care of the farmers before it's too late.

Saying tobacco has become "the enemy of choice among politicians" and "the darling of the attack set," McConnell said there have been 29 tobacco-related votes in this Congress alone, and some on once-uncontroversial measures like crop insurance for tobacco have been close.

"The president and vice president started this war against tobacco farmers and now they think that tobacco is a good issue to use against candidates in the upcoming elections," McConnell said. "So what will keep a candidate from a non-tobacco state from voting against tobacco if they know it'll come back and haunt them in November?"

Some Kentucky Republicans were less critical.

Rep. Ron Lewis, 2nd District, said McConnell is "working in a tough anti-tobacco environment" in the Senate and is right in "keeping all available avenues open for the tobacco farmer."

"I have listened to hundreds of tobacco farmers in the past months, and there is growing and consistent support for a buyout," Lewis said.

FORD WOULD keep the tobacco price support program, provide $28 billion over 10 years in payments to tobacco farmers who opt out of the program and to hard-hit tobacco communities and bar farmers who drop out of the program from growing tobacco for 25 years.

McConnell and Lugar would end the price support program but also offer every tobacco farmer a buyout package compressed into payments over just three years. Farmers also would be permitted to keep growing tobacco, but in an uncontrolled, worldwide tobacco market.

"This is not personal," McConnell said later of his differences with Ford on the price support program. "We both looked at the facts and reached different conclusions."

McConnell acknowledged his remarkable split with other Kentucky lawmakers on tobacco policy, saying it marked the first major disagreement within the state's delegation since the tobacco program was created in 1930. The difference of opinion was not lost on others either.

"This shows exactly how excruciating all this is," said Tim Cansler, director of national affairs for the Kentucky Farm Bureau. "When in history have two senators from a tobacco state disagreed on tobacco policy?"

The farm bureau is lobbying to keep the price support program, but Cansler conceded that McConnell's position as a tobacco-state senator, plus his standing in the GOP in general, "could carry a lot of weight" in Senate deliberations.

(2)

While McConnell and Lugar now share the same objective of winning economic aid for tobacco farmers, their motivations couldn't be more different.

While McConnell hopes to stake a claim on billions of dollars for tobacco growers in the tobacco bill debate, Lugar sees the tobacco bill as a chance to wipe out a program he views as morally reprehensible and financially unsound.

"I do not believe it is appropriate for the federal government to continue a program which makes the production of tobacco more lucrative," he said. "It is doubly ironic to do that in a bill whose purpose it is to discourage smoking."

Furthermore, he said, imports are taking a larger share of U.S. tobacco consumption and the quality of foreign tobacco is improving.

"In many markets, U.S. tobacco is not competitive on price," Lugar said.

Lugar, a longtime foe of tobacco price supports, said other once-protected crops are about to face the rigors of the world market: corn, wheat and soybeans all lose their price support programs in 2002.

The Lugar-McConnell plan would pay owners of tobacco quota a buyout of $8 a pound in three equal installments over three years. Tenants and farmers who lease quota would receive $4 per pound, also over three years.

FOR THE AVERAGE Kentucky tobacco farmer, with about four acres yielding about 10,000 pounds of tobacco annually, pre-tax payments over three years would total about $80,000.

George Hill, of Spencer County, said such a plan would put him out of business. "I'm just a share cropper," he said. "I don't have any land." He said he's made a living from tobacco all his life, though, and he's 66.

"I guess I'm getting about ready to quit fooling with it, myself," he said.

Danny McKinney, executive director of the Burley Tobacco Growers Cooperative Association, confronted McConnell directly at his press conference with Lugar, saying that he was "really disappointed" with the senators' plan.

"I'm really scared. . . . What are we supposed to do now?" McKinney asked.

He said later that his organization still would fight for the price support program.

"Our program provides stability for the small farmer," he said.

In the end, McConnell said he may not be able to support the bill he hopes to use to end tobacco price supports. He said he expected the Congress to produce a "bad" anti-tobacco bill from Kentucky's point of view, a measure "I probably won't be voting for."

Staff writers Al Cross and Joe Ward contributed to this story.

(3)

C.J.
5/19/98

171

McConnell defends tobacco-support stand

By AL CROSS
and JAMES R. CARROLL
The Courier-Journal

WASHINGTON — As Senate action on tobacco legislation slowed to the curing speed of burley yesterday, Kentucky Sen. Mitch McConnell replied to a barrage of criticism he received this week for supporting a farmer buyout that would end the tobacco price-support program.

In a telephone press conference with reporters in Kentucky, the Republican said he switched sides on the issue because the retirement of Kentucky's other senator, Democrat Wendell Ford, will cause many Democratic senators to abandon the program next year, when windfalls to farmers from a tobacco deal won't be available.

"There will be a sea change on the Democratic side of the aisle," McConnell said. "I've talked to a lot of people who have come over to me and said, 'This is it for me. I'm doing this as a favor to Wendell. He's leaving in January, and the program isn't going to be around.' "

Kentucky's two senators are at odds over the tobacco price-support program, which Ford is trying to preserve in the tobacco bill sponsored by Sen. John McCain, R-Ariz. He has support from the White House and many public health organizations backing the tobacco measure.

But the expected showdown between McConnell and Ford over their competing proposals for tobacco farmers will have to wait until sometime next month.

Senate leaders' plans yesterday for debate over farm-related provisions of the comprehensive tobacco bill fell apart as senators spoke for hours on other subjects. In the process, the day's schedule disintegrated, as did hopes by supporters of the bill to win Senate passage before a weeklong recess that begins today.

SENATE MAJORITY Leader Trent Lott, R-Miss., put off more votes on the tobacco bill as senators wrangled over parliamentary procedures governing a series of amendments.

Sen. Kent Conrad, R-N.D., a McCain ally, suggested that opponents had deliberately dragged out debate to put off action on the bill.

But even senators who want some form of tobacco legislation have reservations about various aspects of the McCain bill. As a result, some unusual bipartisan alliances have formed, like the one between Sens. Orrin Hatch, R-Utah, and Dianne Feinstein, D-Calif. Both believe McCain's plan goes too far.

Hatch is concerned with constitutional problems the bill may create relating to proposed restrictions on tobacco-industry advertising and marketing, as well as proposed penalties if the industry fails to meet targets to cutting underage smoking.

Feinstein, on the other hand, worries that the assumptions underlying the bill aren't supported by solid data and could have serious unintended consequences. Among the latter could be a black market in California, a neighbor to Mexico, a potential source of cheap cigarettes.

The Senate did vote 61-37 against killing an amendment that would remove the $8 billion annual cap on damages the tobacco industry would have to pay out from lawsuits.

"This is not an industry which deserves special protection from the United States Congress," said Sen. Judd Gregg, R-N.H., who sponsored the amendment with Sen. Patrick Leahy, D-Vt.

Senators, however, did not actually vote to remove the damages cap. The amendment was bogged down in secondary amendments, including one that would convert about a third of the proposed $1.10-per-pack cigarette tax increase into a tax-cut for lower-income married couples.

RESPONDING to McConnell's assertion that Ford's retirement would speed the death of the price-support program, Ford said through a spokesman that McConnell is anticipating that Democrats would control the Senate next year. Political observers think it is highly unlikely the Democrats will regain control of the Senate this year.

Ford said Senate Minority Leader Thomas Daschle, D-S.D., supports his plan for a voluntary buyout of tobacco quotas and continuation of the price-support program and "will be in a position to have influence with Senate Democrats."

Danny McKinney, head of the Burley Tobacco Growers Cooperative Association, said McConnell apparently "does not want to bear the burden of this thing . . . after Senator Ford retires."

"That's not true," McConnell said. "The question is very simple: Nobody can tell you there will be any money available for our growers if this program is lost later."

"Right now," the senator said, "there is a big pool of money being raised by an extraordinary increase in the cigarette tax. This is the one time when we can get them significant help from the government. It would be a tragedy to see the program end at a different time when there was no money available."

Ford's voluntary buyout would continue for 10 years, even if Congress abolished the price-support program.

But McConnell said the plan he is cosponsoring with Sen. Richard Lugar, R-Ind., which would end the program and buy out all quotas in three years, is preferable to Ford's because "getting your money over 10 years and having a lifetime prohibition on growing tobacco is not very attractive."

C.J.
5/22/98

Social Security's future gains steam as an issue in Congress

By KEN BERZOF
The Courier-Journal

front page

If you ever win the Powerball lottery, you'll no longer have to worry about the future of Social Security.

But the odds are against you, so you're probably in the same boat as Howell Niren, a Louisville computer salesman who would like to see some changes in the system before he retires.

"I don't like the way the system is now," said Niren, 34, who lives in the Hikes Point area. "I'd rather invest my money on my own than let the government do it for me."

So would a lot of other people. In fact, such "privatization" of Social Security is among several proposals being tossed around these days as a way to shore up the long-term financial soundness of the Social Security system.

It's an issue gaining steam in Congress, one that House and Senate candidates in Tuesday's Kentucky primary will be sure to confront in Washington should they win next week and again in the November general election.

"Politicians are no longer afraid to talk about the subject," said J. Robert Treanor, manager of the Social Security division of William M. Mercer, a Louisville employee-benefits consulting firm. "Changes are inevitable; it's just the nature of the changes and when they will be implemented."

Niren wants more control over his retirement money.

"All the money I've paid into Social Security should come back to me after age 62, and I should be able to take that money and invest it on my own — tax free," he said.

Niren doesn't know when he'll retire, but he's already saving up for it. "I invest in

See FUTURE
Page 16, col. 1, this section

'Pro-lifers' 'intolerance'

I find it deplorable and insulting that the pro-life movement here in Kentucky is so radically zealous and uncomprisingly intolerant in their religious beliefs that the St. Therese Roman Catholic Church would refuse to allow Gov. Paul Patton's helicopter to land in the church's parking lot in Southgate before he drove a few blocks to the Southgate Civic Center.

Isn't it ironic that so many hateful deeds are done in the name of religion?

When are the pro-lifers going to ever understand they cannot force their stringent religious views on everyone else on this planet?

Their intolerance of others' beliefs is truly a portrait of hypocrisy.

CLAYTON ELIZABETH BRADLEY
Frankfort, Ky. 40601

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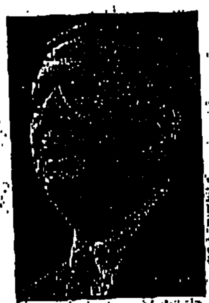
171

McConnell says tobacco buyout best for farmers

By Laura Skillman
Messenger-Inquirer

U.S. Sen. Mitch McConnell, R-Louisville, said Thursday he remains firm in his belief that a buyout for tobacco farmers is the best option available.

Since announcing Monday his support of a buyout, McConnell has come under fire from the organization representing burley growers in five states, as well as several Kentucky elected officials and hopefuls.



Mitch McConnell

And some lawmakers say the buyout proposal of U.S. Sen. Richard Lugar, R-Indiana, would enrich many people who don't even farm anymore. But for McConnell the issue is simple. It's a matter of ensuring that the 60,000 tobacco farmers he represents aren't left with nothing. He said he is convinced that the 68-year-old federal tobacco program is "mortally wounded" and he says the buyout is the best alternative.

More
The Senate voted 61-37 Thursday to indicate disapproval of a provision limiting lawsuit liability for Big Tobacco. Page 2

"Nobody can tell you there will be any money for our growers if (the program) is lost later," he said during a telephone press conference. "This is the one time we could get them significant help. It would be tragic to lose it, and there would be no money there."

McConnell said the decision to step away from U.S. Wendell Ford and Ford's efforts to continue the program was carefully considered.

He praised Ford, D-Owensboro, for he job he has done at holding back the program's demise but said they differ on what is the best for farmers.

Ford continues to back his own plan, which includes a buyout provision for those who want it but continues the tobacco program of quotas and support prices.

If McConnell is so concerned about farmers receiving assistance, why does he, as an original sponsor of the Ford's Long-term Economic Assistance for Farmers (LEAF) Act, support a plan that would devastate small farmers, Ford's spokesman Mark Day questioned Thursday.

The LEAF Act would compensate farmers for lost income, offer price guarantees for those who want to keep growing and provide other benefits to rural communities long dependent on tobacco.

Legislation authored by Lugar, chairman of the Senate Agriculture Committee, would end the tobacco program and price supports by 2002 and buy out those with quotas — government licenses to market tobacco — for $8 a pound over three years. Farmers who don't own the quota but grow it under lease or tenant arrangements would get $4 a pound. Lugar's measure would give states $1 billion to spend over five years.

The Clinton administration backs Ford and many health advocates also support the program because it limits the tobacco produced each year.

The Lugar-McConnell plan is also drawing fire from some lawmakers who say the buyout provisions are too high.

The current phase-out of corn subsidies now pays those farmers about $200 an acre, but even the cheapest tobacco buyout would pay about $24,000 an acre.

But McConnell said Thursday, while there are some who don't like the amounts attached to the buyout, there is no crop that generates the amount of money tobacco does, justifying the higher price.

The Associated Press contributed to this report

171 Dave

HL 5-20-98 1/3

Quota plan fight called threat to tobacco bill

By Gail Gibson
HERALD-LEADER WASHINGTON BUREAU

WASHINGTON — The Senate yesterday cast its first vote on sweeping anti-smoking legislation amid speculation that a brewing fight over competing proposals to help tobacco farmers could threaten the whole deal.

In a 58-39 vote, senators killed a proposal to limit fees paid to lawyers who successfully sue the tobacco industry. They then turned to the issue of taxes, debating whether a proposed $1.10 per pack tax increase for cigarettes should be pushed even higher, to $1.50. A vote could come today.

Page A10

■ Plans offered by Sens. Wendell Ford and Mitch McConnell treat growers very differently.

Those issues mark only the beginning of a series of "explosions" that Sen. John McCain, R-Ariz., predicted would develop as the Senate this week debates his far-reaching tobacco bill.

Indeed, the first eruption — over the issue of aid to farmers — came in the opening minutes of the debate Monday night, and its fallout was still being felt yesterday.

At the outset of the Monday's debate, Senate Majority Leader Trent Lott unexpectedly added to the bill a proposal that would end the price-support program for tobacco. The proposal is backed by Sens. Richard Lugar, R-Ind., and Mitch McConnell, R-Louisville.

See TOBACCO, A10

From Page One

The move incensed Kentucky Sen. Wendell Ford and other southern Democrats steering a plan that would preserve a price-support system. On the Senate floor yesterday, Ford said he would use "scorched earth" tactics if necessary to kill the Lugar plan.

Other opponents of the Lugar-McConnell plan charged at a press conference yesterday that it masked an effort to defeat the broader legislation.

"This is an effort by the Republican leadership to sidetrack comprehensive legislation," said Bill Novelli, president of the Washington-based Campaign for Tobacco-Free Kids. The group supports keeping a price-support program because it also limits how much tobacco is grown in this country.

"This is more than just doing damage to tobacco growers and their communities," Novelli said. "It is going to do damage to all the legislation that everyone has been working for."

McConnell on Monday rejected charges that his support of Lugar's bill is part of an effort to foil tobacco legislation by forcing Democratic opposition. And yesterday he defended Lott's parliamentary move Monday night, saying it leveled the playing field.

"The majority leader's decision guaranteed that both proposals would be treated exactly the same, and the majority of the Senate could decide which one was best," McConnell said.

As it stands now, both proposals exist in the bill. It will take a 51-vote majority to strike out one or the other — meaning Ford would have to persuade some Republicans, who hold a 55-member majority, to back his plan. The showdown could come before week's end.

Ford declined yesterday to reveal his next move. He elaborated on his "scorched earth" remark only by saying, "I have some things I might want to do before we get through."

McConnell had been a co-sponsor to Ford's plan until this week, when he announced he would instead work with Lugar. McConnell said he made the decision after determining that Lugar's proposed three-year cash buyout of tobacco allotments would be a better deal for Kentucky farmers than a similar buyout plan offered by Ford's LEAF (Long-Term Economic Assistance for Farmers) Act.

Ford counters that his plan — which would cost the tobacco companies about $10 billion more than Lugar's — offers more overall to farmers and tobacco-dependent rural communities.

Most importantly, while McConnell argues that the death of the price-support program is imminent in today's anti-tobacco political environment, Ford thinks it can be sustained for many years to come.

The split between Ford and McConnell marks a first in the history of tobacco-policy debates. No two Kentucky senators have ever been on opposite sides of this issue during the 60-year life of the tobacco program.

Kentucky farm leaders have been sharply critical of McConnell's decision. The loss of the program would hit small farmers particularly hard, they say.

Some Kentucky public health advocates stepped up criticism of McConnell's decision yesterday, saying his support of Lugar's plan would do more to help large tobacco companies than small Kentucky farmers.

"Our fear is that the elimination of the tobacco program plays right into the hands and the profit margins of the cigarette companies," said Amy Barkley, director of the Versailles-based Coalition for Health and Agricultural Development.

At the Washington press conference, Barkley and other health advocates argued that the end of the price-support program could mean a domestic windfall of up to $1 billion for cigarette makers, who would be able to buy American leaf at lower prices.

McConnell late yesterday called the charge that he was protecting cigarette makers "utter nonsense," noting that the free market system would only arrive in the context of legislation that could cost the cigarette makers as much as $800 billion.

"I've never heard of anybody who works for a cigarette company advocating the end of the program," McConnell said.

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for tobacco aid proposal

Continued from Page One

goodbye to the New Deal-era controls on production and price that have covered every tobacco crop in the United States since 1941.

Such "government-sanctioned and -controlled regimes" in agriculture have little popularity in the GOP-controlled Congress to begin with, McConnell said. And when the notoriety of tobacco is thrown into the mix, he said, it is "politically impossible to keep the program."

McConnell noted that a free-market approach to agriculture is being phased in for corn, wheat and feed grains. "You have to ask yourself, 'If there isn't a corn program, will there be a tobacco program?' I think the answer to that is no."

But U.S. Rep. Scotty Baesler, D-6th District, the only tobacco farmer in Congress and one of the Democrats seeking to replace retiring Sen. Wendell Ford, said McConnell's defeatism is a form of self-fulfilling prophecy.

"The only way we'd lose the program is if people in Kentucky say, 'It's gone, it's gone, it's gone,'" Baesler said.

OTHER DEMOCRATS noted that the federal government still controls production of milk, sugar and peanuts. No senator from a state dependent on those commodities has come out in favor of ending production controls, they said.

Baesler said McConnell's proposal to accept free-market production of tobacco would save cigarette companies $1 billion a year, because the end of limits on production would cut prices about 75 cents a pound.

Cigarette manufacturers have been major "soft money" donors to Senate Republicans' campaign committee, which McConnell heads. "I don't know if that's the connection or not," Baesler said, "but I can't see any other connection."

TOBACCO companies have favored Republicans this year in donations of soft money — large, essentially unregulated contributions to party committees.

But McConnell denied he's doing the cigarette makers' bidding or is motivated by partisan considerations.

"The price of tobacco is about, I think it's something like 3 percent of the price of a cigarette," he said.

The manufacturers like having a price-support program "because it gives them a large army of people with political clout that they wouldn't have if all the tobacco came from overseas," McConnell said.

"I've never heard anybody in the manufacturing community express an opinion on this subject. This has absolutely nothing to do with the manufacturers. They don't have a dog in this fight. . . . So, you know, any effort to stigmatize this as some kind of idea of the manufacturers cannot be proven. It cannot be proven because it's not true."

Critics said McConnell's approach — which would give growers buyout payments for three years, not stretched out over 10 years, as Ford has proposed — would work a hardship on rural communities.

"Developing a new kind of agriculture or an economic basis for the community . . . is something that will take 10 to 15 years," said John Berry Jr., former president and general counsel of the burley growers' co-op.

Berry noted that since 1992, the co-op has had a subsidiary that tries to help create markets for farm products other than tobacco.

McConnell's proposal will cause family farms to disappear, said Karen Armstrong-Cummings, head of the subsidiary.

"It will fast-forward our remaining ag economy into contract hog and poultry production . . . and simply end rural areas as we know them," she wrote in an e-mail yesterday that urged farmers' allies to support Ford's proposal.

But McConnell said his proposal, which would send $80,000, pretax, to the average grower in Kentucky, is the only recourse.

"It's the difference between getting $80,000 over three years for the average grower, or potentially losing the program and getting nothing a few years down the road," he said.

THE CO-OP'S executive director, Danny McKinney, predicted that McConnell would live to regret his stance. "What he said was, 'It's dying, so I'm just going to go ahead and shoot it,'" McKinney said.

McConnell said the co-op's leaders are staunch Democrats.

"They believe that we should go down with the Titanic . . . all together, rather than providing lifeboats for people to survive," McConnell said.

But Kuegel, the co-op's president, said it's a strange world when health-advocacy groups that have bedeviled tobacco farmers in the past now support continued controls on production — as a way of keeping prices up and consumption down — and home-state lawmakers such as McConnell throw in the towel.

"I never dreamed all of this would happen," he said.

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Editorials

The best deal?

Plan McConnell backs brings in quick cash, but would ultimately kill off small farms

In purely pecuniary terms, Sen. Mitch McConnell might be right. Maybe the best deal Kentucky can get is a quick cash buyout of tobacco quotas. We know many landowners are salivating at the prospect of collecting $8 a pound over three years under the proposal McConnell endorsed Monday.

But McConnell's dollars-and-cents calculation ignores the inevitable losses.The greatest of these losses would be farming as we know it in Kentucky.

Cigarette makers would benefit from cheaper tobacco grown on fewer but larger farms, while rural communities up and down both sides of the Appalachians would be torn by the upheaval.

Without the government's tobacco price support program, thousands of small family farms from Maryland to Georgia, would cease to be. Some would be paved over and subdivided. Banks would take some. Cedar trees and marijuana patches would take some, too.

The communities these farms support also would cease to be, replaced by commuters and pensioners.

The communities these farms support also would cease to be, replaced by commuters and pensioners.

As the Senate debates the tobacco bill this week, the spotlight's glare will be on teen smoking and how much relief from lawsuits the cigarette companies should get. The fate of hand-tended hill farms is likely to get lost in the glare, or subsumed by a Republican ideology that insists on a pure free market in agriculture.

It seems to us, though, the fate of tobacco farms has more to do with issues of land stewardship and national agricultural policy than with smoking and product liability.

Do we want American agriculture to be nothing but industrial-scale operations and corporate contractors? Are we ready to do all our shopping at the Supermarket to the World? Or should we save a place for family farms that pasture cattle, sell produce at the farmers market, grow a few acres of tobacco and depend on government planning to smooth out the ups and downs of the invisible hand?

It's a vital question, and one that shouldn't wait until the tobacco program, like the rest of America's farm programs, is dismantled.

For 60 years, the government has kept tobacco production in line with demand and guaranteed growers a good minimum price. Growers bear all but a little of the program's cost; there is no tobacco subsidy, contrary to popular belief.

As a result, Kentucky has more farms than all but three states. The tobacco program has immunized tobacco-growing regions against the consolidation of land and the loss of farmers that is fast remaking the rest of rural America.

The plan that McConnell endorsed, introduced by Senate Agriculture Chairman Richard Lugar, R-Indiana, should be viewed in its proper context — as the logical extension of the Freedom to Farm Act that ended the federal role in agricultural planning. In this new free market, farms on the Northern Plains already are going under, according to the Wall Street Journal, because the climate there is too cold for farmers to play the global market by growing anything but wheat. U.S. Agriculture Secretary Dan Glickman says Freedom to Farm should be revisited.

Until Monday, McConnell was co-sponsor of Sen. Wendell Ford's LEAF Act, which would preserve the price support program and provide tobacco communities with a much softer landing than the Lugar-McConnell plan.

That Kentucky's two senators have split on this most important tobacco question shows how very difficult it is.

Neither the Ford nor McConnell approach is perfect. Some hybrid of the two would be a better alternative. But if it comes to an either-or-choice, we're for the conservative approach, which oddly enough, is the one espoused by Democrat Ford.

171 Daily

UK library refinancing gets tentative approval

$4 million in savings expected over 27 years

By Elizabeth Wade Hall
HERALD-LEADER STAFF WRITER

The Urban County Council yesterday tentatively agreed to refinance $41 million in bonds that helped pay for the University of Kentucky William T. Young Commonwealth Library.

The UK Alumni Association asked the council to refinance, saying savings would be $150,000 annually or more than $4 million over the remaining 27-year life of the bonds.

"This is a simple, straightforward financial arrangement that will save the university money," said Bob Drakeford, the city's director of Economic Development.

The council is expected to give final approval at its May 28 meeting. Eight of the 15 council members yesterday approved putting the proposal on the agenda.

Three council members — Chuck Ellinger, David Stevens and George Brown — didn't vote because they are UK employees. Council members Teresa Isaac, Sandy Shafer, Jennifer Mossotti and Fred Brown were absent.

UK President Charles Wethington asked the city to sell the bonds to pay remaining library costs four years ago.

See LIBRARY, B3

LIBRARY: Refinancing gets 1st OK

From Page B1

UK had state approval to spend $12 million on design and site preparation, but did not receive any money from the General Assembly for construction.

UK raised $21.5 million, including a $5 million gift from Lexington businessman William T. Young, a UK alumnus.

The city agreed to sell the bonds and the proceeds went to the UK Alumni Association, a quasi-independent group that became the owner and builder of the $58 million library.

To pay the debt service on the bonds, UK decided to use $3.2 million annually from the UK Athletics Association.

Henry Clay Owen, UK's controller and treasurer, said the bonds were issued at 6.75 percent interest in 1994 and could be refinanced at a rate as low as 5 percent today.

■ U.S. SENATE PRIMARY

Baesler, Owen attack McConnell on tobacco

By Angie Muhs and Jack Brammer
HERALD-LEADER FRANKFORT BUREAU

HARDINSBURG — Two of the three major Democratic candidates for U.S. Senate took to the road yesterday, with both delivering virtually the same message on tobacco.

U.S. Rep. Scotty Baesler, traveling through Hardin, Grayson, Breckinridge and Meade counties, voiced opposition to Republican Sen. Mitch McConnell's break with Democratic Sen. Wendell Ford on tobacco legislation under discussion this week in Washington.

In a series of television and radio appearances in Lexington, Louisville businessman Charlie Owen accused McConnell of neglecting small tobacco farmers and "playing for national attention" with his proposal to abolish the tobacco price-support program.

Owen declined to elaborate on McConnell's motives, but has scheduled a news conference today at McConnell's field office in Lexington.

The third major candidate, Lt. Gov. Steve Henry, spent the day in his Louisville campaign headquarters, huddling with advisers and making phone calls. He is expected to hit the campaign trail today in Western Kentucky.

Baesler, who today will begin airing radio ads on agricultural programs, continued to emphasize his background as the only tobacco farmer in Congress. At each stop, he also took the opportunity to criticize McConnell.

"I don't care how you sugarcoat it," Baesler said. "He's turned his back on the farmers."

Owen said he strongly supports Ford's tobacco plan. It would keep the price-support program, provide $28 billion over 10 years in payments to tobacco farmers who opt out of the program and to hard-hit tobacco communities, and bar farmers who drop out of the program from growing tobacco for 25 years.

With only six days until Tuesday's election, the candidates tried to find ways to set themselves apart from their rivals.

Baesler, who carried a sunflower-print tote bag containing the trademark sunflower seeds he gives voters, told supporters in Elizabethtown he's confident he's the front-runner in the race, based on his polls.

But in the next breath, he also cautioned them that the race was far from over. "I'm optimistic, but I'm very practical, too," he said. "We've still got a week to go, and it's tough."

Owen campaign manager Kim Geveden said Owen's polls show the race in a dead heat between Baesler and Owen.

Judging purely from yard signs in Western Kentucky, however, interest in the Senate race appeared lackluster, though local contests seemed to be drawing plenty of attention.

Steve Morris, a registered Democrat, said he's likely to vote in the primary but doesn't know for whom.

"I've seen some of their ads on TV and such, but most of my attention has been on my day-to-day life, work and family," said Morris, a sales representative who lives in Owensboro and was in Hardinsburg on business. "Closer to the election, I suppose I'll read the papers and try to decide."

Owen, campaigning with his wife, Joanne, did not mention his opponents by name but said one of them "has just focused on health care." That was an apparent reference to Henry, an orthopedic surgeon who has received many campaign contributions from health-care interests.

■

Herald-Leader staff writer Chad Carlton contributed to this article.

(b) (1) Compensation - Members of the Commission shall each be entitled to receive the daily equivalent of the annual rate of basic pay in effect for grade GS-18 of the General Schedule for each day (including travel time) during which they are engaged in the actual performance of duties vested in the commission.

(2) While away from their homes or regular places of business in the performance of services for the Commission, members of the Commission shall be allowed travel expenses , including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5 of the United States Code.

Section 3. Scope Purpose and Duties of the Commission

a) The Commission shall develop and recommend both short term and long term strategies that seek to reduce or eliminate the production of tobacco in tobacco growing states and communities while ensuring short term and long term economic stability and development. In carrying out its responsibilities the Commission shall at a minimum conduct:

(A) A review of the tobacco program as authorized and administered by the Department of Agriculture
(B) A review of the role that tobacco and tobacco production has played in the tobacco producing states, focused primarily on the six major producers.
(C) A review of the production and marketing trends of tobacco and tobacco products in the United States.
(D) A review of the effects of international tobacco and tobacco production on the domestic production and marketing of tobacco and tobacco products, including a review of the operations of US and international tobacco companies and leaf dealers.
(E) A review of economic models, demonstration and or pilot projects that might be used for providing tobacco growing states alternatives to growing tobacco and or other uses of tobacco,
(F) A review of health and ethical issues surrounding the production and marketing of tobacco products both in the United States and in other international markets.

b) (1)In carrying out its duties the Commission shall conduct a minimum of two hearings in each of the six major tobacco producing states. Such hearings shall be held in communities that are involved in the growing and production of tobacco. The Commission shall provide the communities with an open forum to present testimony, ideas and recommendations about the future production of tobacco including ideas and recommendations for diversification, economic development needs, environmental impact concerns and any other issue related to the agricultural production of tobacco.

(2) The Commission may undertake an investigation or study of any other appropriate matter which relates to the Commission's duties or is consistent with the Commission carry out its responsibilities.

(3) Upon completion of its study, investigation, and hearings the Commission shall report its findings (including recommendations for legislative or administrative action) to the President, the Congress, each federal agency to which a recommendation in the report applies as well as to the Governors of each of the six major tobacco producing states.

c) The Commission shall complete its duties, responsibilities and report its recommendations as required under subsection b)(3) no later than 18 months after its appointment.

Section 4. Administrative Provisions

a) Staff --- (1) The Commission may appoint and fix the pay of such staff personnel as it deems desirable. Such personnel shall be appointed subject to the provisions of title 5, United States Code, governing appointments in the competitive service and shall be paid in accordance with the provisions of Chapter 51 and subchapter 53 of such title relating to classification and General Schedule pay rates.

(2) The Commission may procure temporary and intermittent services to the same extent as is authorized by section 3109(b) of title 5 of the united States Code, but at rates for individuals not to exceed the daily equivalent of the annual rate of basis pay in effect for grade GS-18 of the General Schedule.

(3) Upon the request of the Commission, the head of any Federal agency is authorized to detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist in carrying out its duties.

b) Contracts. --- The Commission in performing its duties and functions may enter into contracts with appropriate public or nonprofit private entities.

c) Information.---(1) The Commission may secure directly from any federal agency information necessary to enable it to carry out it duties.

(2) The Commission shall not disclose any information reported to it or otherwise obtained which is exempt from disclosure under subsection(a) of section 552 of title 5, United States Code.

d) Support Services.--- The Administrator of General Services shall provide the Commission on a reimbursable basis such administrative support services as the Commission may request for carrying out its duties and responsibilities.

Section 5. Termination

The Commission shall terminate after filing its report and recommendations as required under Section 3(c).

Aid for tobacco farmers still up in air

Sponsors unsure when they'll present competing proposals

By JAMES R. CARROLL
The Courier-Journal

WASHINGTON — After voting on an amendment to the comprehensive tobacco bill Thursday, Sen. Richard Lugar lingered on the Senate floor, looking for a sign that after three weeks of waiting, it was time for him to bring up his plan for helping tobacco farmers.

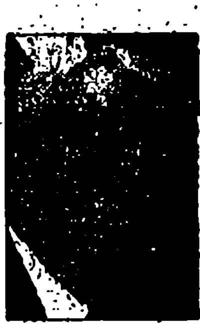
The only sign he found pointed to more waiting: Sen. Harry Reid, D-Nev., was recognized to begin debate on his amendment, to be followed by another amendment from Sen. Phil Gramm, R-Texas. That would launch the Senate well into Monday evening, possibly Tuesday.

Lugar, poised with his notebooks and charts, is getting frustrated.

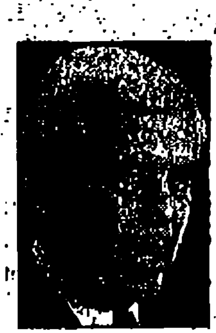
"I'm all dressed up with no place to go," the Indiana Republican joked in an interview yesterday.

Indeed, the same could be said for Sen. Mitch McConnell, R-Ky., who will help Lugar with his amendment, and Sen. Wendell Ford, D-Ky., who, with Sen. Ernest Hollings, D-S.C., has a competing proposal.

"I'm about as ready as I can be," Ford said. "Sometimes you get over-ready."



Sen. Wendell Ford said he'll tie up the tobacco bill with amendments if his plan loses. "I'm a poor loser and I'm going to fight for my farmers."



"I'm all dressed up with no place to go," Sen. Richard Lugar joked yesterday about waiting to offer an amendment on helping tobacco farmers.

When the battle over the tobacco farmers will be joined is anybody's guess. The fact that Lugar, chairman of the Senate Agriculture Committee, hasn't a clue is evidence of the extremely fluid atmosphere in which the tobacco bill sponsored by Sen. John McCain, R-Ariz., is being debated by the Senate.

Amendments dealing with tobacco farmers could see debate early next week, but also could be pushed back if senators first tackle other outstanding issues. Those range from changing the so-called "lookback" penalties against the tobacco industry for failing to meet targets for reducing underage smoking, to proposals to substitute the year-old national tobacco settlement for the entire McCain bill.

What to do about the nation's tobacco farmers remains one of the key unresolved issues. Many senators agree it looms as a potential barrier to the bill's survival.

Lugar and McConnell have proposed elimination of the tobacco price-support program and a three-year buyout of all tobacco farmers. That buyout would consist of transition payments of $8 per pound for quota holders and $4 per pound for tenants and lessees. After the end of the program, farmers still could grow tobacco but would be subject to the price swings of the international market. The Lugar-McConnell plan would cost $18 billion over three years.

Ford wants to preserve price supports and give farmers the option of buyouts, to be paid over 10 years. Those who took the buyout would be barred from growing tobacco for 25 years. His plan would cost $28 billion over 10 years.

Both plans include money for economic assistance to tobacco-dependent communities.

Last month Senate Majority Leader Trent Lott, R-Miss., inserted the Lugar-McConnell proposal into the tobacco bill alongside Ford's plan, which had been approved by the Senate Commerce Committee.

Since then, the staffs in the Lugar-McConnell camp have talked with their counterparts allied with Ford and Hollings, but no compromise has been put forward, Lugar said.

The Senate must choose one plan or the other.

Or not.

Lugar said one scenario he's heard mentioned is to keep both proposals in the bill, leaving differences to be settled later when the measure is before the House.

"I've not heard that one," Ford said. He predicted a close vote on either plan.

Lugar conceded that he has heard some grumbling from colleagues from farm states that $18 billion for tobacco farmers isn't justified.

Lugar and Ford said they hoped to reach a deal by the time their turns come, whenever that is.

Indeed, if history is a guide, it often takes a sudden deadline, like a pending vote, to forge an agreement.

But if Ford should lose, he said he is prepared to offer as many as 70 amendments — a couple are about a thousand pages in length each — guaranteeing the bill would never be completed before the end of the Senate's legislative business in October.

"It would be about midnight on Jan. 2, 1999, the day I leave the Senate," Ford said, laughing. "I'm a poor loser and I'm going to fight for my farmers."

to Peter Clips

Debunking 'myths' about tobacco

By WENDELL H. FORD
Special to The Courier-Journal

THESE ARE confusing times for Kentucky tobacco farmers. Last month, the junior senator from Kentucky, Mitch McConnell, abandoned the bipartisan support for the tobacco program that has protected Kentucky's farmers for 60 years. Now, Sen. McConnell has aimed his fire at Kentucky tobacco farmers themselves, attacking farmers like John and Wendell Berry, Scotty Baesler, Rod Kuegel and Danny McKinney.

Wendell Ford

Why? Because each of these tobacco farmers, like the majority of Kentucky's tobacco farmers, recognize what Sen. McConnell has forgotten: The tobacco program, which my LEAF Act preserves, keeps small family farmers in business. The loss of the small family farmer will devastate the businesses that depend on the farmer and their rural communities throughout Kentucky. Sen. McConnell's article did not mention the small family farmer, and his position demonstrates he's given them little consideration.

Ninety-eight percent of burley farmers voted to keep the program in the last USDA referendum. Every single farm organization in Kentucky has endorsed the LEAF Act. Even the man Sen. McConnell would like to see succeed me has endorsed the LEAF Act.

Who does Sen. McConnell look to for support? He cites two polls, one by an organization called the Tobacco Fairness Coalition and the other by the Lexington *Herald-Leader*. Sen. McConnell fails to tell readers that the Tobacco Fairness Coalition is an advocacy organization representing the interests of large flue-cured growers in North Carolina! Their "poll" was actually a fund-raising letter aimed at generating money to hire a Washington lobbyist to push for a buyout that is both unachievable and against the interest of Kentucky's small family farmers. In citing *The Herald-Leader*, Sen. McConnell conveniently omits that poll's finding of support for the program over a buyout by better than a 2-to-1 margin.

I'm deeply troubled by Sen. McConnell's abrupt change of position. After all, as original co-sponsors, we worked together to develop the LEAF Act last year. He chose to abandon this bipartisan, cooperative effort when he, with no notice whatsoever, appeared at a Washington, D.C., press conference with Sen. Richard Lugar, R-Ind., as a partner in leading the charge to end the tobacco program.

Why this drive to give up and abandon the tobacco program without a fight? With Sen. McConnell's support, there is no question that the LEAF Act would become law. Even if, at some later date, the tobacco program were eliminated, the LEAF Act makes farmer payments available immediately, much faster than the Lugar bill. And Kentucky farm communities would be able to take advantage of $2.2 billion in LEAF Act rural development aid.

As troubled as I am about Sen. McConnell's change of heart, it is still more disturbing that he continues to misrepresent the LEAF Act. A look at the facts shows Sen. McConnell is just plain wrong about my bill and the future of the tobacco program.

McConnell Myth #1: *The tobacco program is on its last legs.* The truth is, the tobacco program is enjoying a resurgence of support due to its primary functions: limiting production and maintaining a high price for tobacco. The American Heart Association and the Campaign for Tobacco-Free Kids have announced their support for the LEAF Act, in large part because it preserves a tobacco program. About a dozen other public health groups have also announced their support for a tobacco program. Were it not for Sen. McConnell leading the charge to end the tobacco program, there would be little question about its future.

Also, Sen. McConnell conveniently omits discussing protections the LEAF Act provides for farmers should the program ever be eliminated. The LEAF Act clearly states that the balance of all payments would be made immediately to farmers if "Congress repeals or makes ineffective, directly or indirectly," the price support or quota aspects of the tobacco program.

McConnell Myth #2: *The LEAF Act forces farmers out of tobacco production.* Sen. McConnell knows that no farmer, not one, who wants to continue to grow tobacco, will be forced out of business under the LEAF Act. Under the current tobacco program, a farmer who wants to get out of the business sells his quota. Under the LEAF Act, a farmer who wants to get out of the business "sells" his quota by accepting a buy-out. Farmers who want to continue to produce tobacco are protected against cuts in quota through the LEAF Act's payments for lost quota.

McConnell Myth #3: *The LEAF Act favors North Carolina farmers.* The McConnell/Lugar buyout would put up to 50,000 of Kentucky's 60,000 tobacco farms out of business. T[illegible] doesn't serve the interest of the small family farmer. The LEAF Act, on the other hand, protects the small Kentucky farmer because it maintains the tobacco program, compensates farmers for their lost quota, ensures generous funding of new agricultural and rural development activities and provides a buy-out for those who want one.

McConnell Myth #4: *The Lugar plan is the best option in a bad situation.* Sen. McConnell says that he "refuses to sell farmers on the dreamy illusion of a new [sic] 25-year tobacco program." Given the support of the public health community for a tobacco program, telling tobacco farmers that they'll be able to get 70 percent of dollars earmarked for public health purposes isn't just a "dreamy illusion," it's delusional.

McConnell Myth #5: *Democrats in Congress have doomed the tobacco program.* I have a better understanding of where my Democratic colleagues are on the issue of the tobacco program than Sen. McConnell does. In addition, Sen. McConnell's party holds a majority of the seats in the Senate. Based on my vote counts, I believe the vast majority of the 45 Democratic senators will vote to preserve a program. The balance of victory must come from the majority party. The future of the tobacco program rests squarely on the shoulders of Sen. McConnell and his tobacco-state Republican colleagues. It's a program our small family farms in Kentucky rely on, and a program I'll continue fighting for.

The writer, a Democrat, is the senior United States Senator from Kentucky.

Survey of tobacco growers is called unscientific

Continued from Page One

tative results," said Dr. Ronald Langley, director of the University of Kentucky Survey Research Center.

McConnell, a Republican, was not available for an interview yesterday, but his press secretary, Robert Steurer, defended the senator's use of the survey findings.

"The only salient issue is that the Tobacco Fairness Coalition polled Kentucky and Tennessee burley tobacco growers and 63 percent of them favored a buyout of their quota," he said. "That the coalition is headquartered in North Carolina doesn't change that very basic fact."

UNTIL NOW, the Tobacco Fairness Coalition has been somewhat of a mystery, bursting into the tobacco debate at the 11th hour with surveys, money-raising appeals to tobacco farmers and press releases backing the McConnell proposal, which he is co-sponsoring with Sen. Richard Lugar, R-Ind.

The coalition, founded in February expressly to lobby Congress on tobacco legislation, has no office, no employees and no telephone number — only a post-office-box address in Wilson, N.C. But it has solid links to North Carolina tobacco interests.

The coalition's four-member board consists entirely of North Carolina farmers who grow between 200,000 and 800,000 pounds of flue-cured tobacco — much more than the small burley tobacco farms of Kentucky, which average yields of about 4,000 pounds.

Three of the board members also serve on boards of the Tobacco Growers Association of North Carolina or the North Carolina Growers Association.

Of the coalition's 12 advisers, eight live in North Carolina.

The coalition's Washington lobbyist is Richard Miller, former chief of staff to the late Republican Sen. John East of North Carolina.

"They don't represent the small family farm," charged Kentucky Sen. Wendell Ford. Ford, a Democrat who will leave office at the end of this year, has a competing plan to aid tobacco farmers that would retain the price-support program and offer voluntary buyouts.

Danny McKinney, chief executive officer of the Burley Tobacco Growers Cooperative Association in Lexington, also is suspicious of the coalition and its survey.

" 'Do you want a buyout or do you want to jump off Clay's Ferry Bridge?' Their (survey) questions are about that loaded," he said.

But the coalition's Miller said, "Any reasonable individual would recognize . . . that there is a substantial number of growers in Kentucky who favor the buyout approach. . . . What we want is for Sen. Ford and those people who favor another approach to factor that in."

The coalition also polled flue-cured tobacco growers. Of those that responded, 86 percent favored the McConnell-Lugar plan.

The argument over the coalition's claim to speak for all tobacco farmers reflects the deep divisions among growers over how best to cushion the blow of comprehensive tobacco legislation being considered in Congress this summer.

To some extent, the controversy over the coalition also reveals the tensions between operators of the smaller, family-run farms typical of Kentucky and the sprawling, corporate-style farms of North Carolina.

MANY BURLEY growers worry that ending price supports will mean that small farms will disappear or be swallowed up by large companies. Flue-cured tobacco growers in North Carolina and other states see their large farms as a huge investment and their sole source of income. Growing tobacco is not an income supplement for them as it is for many Kentucky farmers.

The large farms of North Carolina are well-represented on the Tobacco Fairness Coalition's board.

According to information supplied by the coalition, board member David Griffin of Spring Hope, N.C., grows tobacco on 100 acres with his son; board member Jerome Vick of Wilson, N.C., has 260 acres, split with a son and daughter; board member Kendall Hill of Kinston, N.C., shares his 200 acres with his two brothers' families; and board member Denny Lee of Buies Creek, N.C., has a family operation of more than 300 acres.

"It's clear the impetus to form the coalition came out of North Carolina," said Miller, its Washington lobbyist. "And North Carolina is predominantly a flue-cured tobacco state."

But Miller said the coalition wants a buyout because it is "in the best interests of the growers, flue-cured and burley."

"If . . . we were to become persuaded through our surveys that a majority of burley growers preferred some other option, we wouldn't have a problem supporting that option for them," he said.

The coalition's two surveys were accompanied by letters explaining that the group favored an end to price supports and wanted a buyout. Both surveys also included appeals for money, primarily for the coalition's Washington lobbying efforts, that so far have generated between $75,000 and $100,000, Miller said.

One survey was mailed to about 17,000 growers of flue-cured tobacco in seven states, of whom about 3,500 responded, Miller said.

The second survey went to between 14,000 and 15,000 burley farmers, of whom about 1,000 responded, Miller said.

THE FARMERS' names were obtained from mailing lists kept by two tobacco magazines, he said.

But UK's Langley said the results aren't a true sampling of growers, based on the low response rates — 20.5 percent of flue-cured growers and about 6.6 percent of burley growers. A rule of thumb for an accurate survey is about a 40 percent return rate, he said.

"What you're doing is you've got self-selection here," Langley explained. "These are the people who bothered to answer your mail. . . . It's only representative of the people who returned the questionnaire."

"The added appeal for financial support complicates matters," the Roper Center's Maynard said, adding that many of those who responded to the survey may have done so because they wanted to donate money, while those who did not respond may have rejected the survey as only a fund-raising letter.

The coalition's lone Kentucky adviser is R.T. Turner, a burley farmer in Horse Cave who owns a quota of about 40,000 pounds and leases quota of an additional 30,000 pounds.

At 64, he hopes to sell his farm and get out of tobacco farming.

"We have realized that the tobacco program is gone," Turner said. "It's over whether we like it or we don't. It's on a life-support system. Wendell Ford is that life-support system. When he leaves, the tobacco program will be gone with him. We need to get what money we can and get out."

NBA finals: Jazz stuns Bulls 83-81 to stay alive – Sports, D1

The Courier-Journal

APER LOUISVILLE, KENTUCKY SATURDAY, JUNE 13, 1998 • 50 CE

Tobacco-farmer survey called unscientific

Results showed support for buyout backed by McConnell

By JAMES R. CARROLL
The Courier-Journal

WASHINGTON — A survey of tobacco farmers that Kentucky Sen. Mitch McConnell has cited as evidence of support for his buyout plan for growers is seriously flawed, according to polling experts.

The survey was done by the Tobacco Fairness Coalition, a lobbying group headed by North Carolina farmers who stand to benefit more from a buyout than most in Kentucky, where the average grower produces much less tobacco.

McConnell has claimed — most recently in an article published this week in several Kentucky newspapers — that the survey shows that 63 percent of burley tobacco growers in Kentucky and Tennessee support an end to the tobacco price-support program and a three-year buyout that pays farmers $8 per pound.

WAITING: Sponsors of plans to aid tobacco farmers aren't sure when Senate debate will start. A5

But in interviews, independent pollsters said the coalition did not follow commonly accepted methods of polling and that the results cannot be said to represent the views of Kentucky farmers.

"It definitely is not scientific in any sense," said Marc Maynard, assistant director of the Roper Center for Public Opinion Research at the University of Connecticut.

The experts pointed to several problems with the survey, which was mailed to about 15,000 burley growers. It was accompanied by a letter stating the coalition's pro-buyout position and asking for financial support, and only about 1,000 farmers returned the survey, a rate of response that is too low to provide reliable results, the pollsters said.

"What you've got is non-represen-

See SURVEY
Page 5, col. 1, this section

Sen. Mitch McConnell, I has propose eliminating t tobacco price support program and offering a th year buyout farmers. His spokesman defended the use of the survey yesterday.

tobacco farmers

Beyer Touting Life After Tobacco

Soon It Will Be What You Know, Not What You Grow, Va. Farmers Told

By Ellen Nakashima
Washington Post Staff Writer

Vilified by Southside Virginia farmers for supporting the national tobacco settlement and federal regulations against teen smoking, Donald S. Beyer Jr. is using his Democratic campaign for governor to push an economic plan for the region that points to a life beyond the Golden Leaf.

The Northern Virginia businessman recently made his first presentation to farmers in Danville, not in a tobacco field, as his Republican opponent did, but in a community college library.

The place he chose spoke volumes. Although Beyer is advocating lots of aid for tobacco farmers—continued crop insurance and price supports and a "substantial" share of any settlement—he emphasized a larger vision of office parks, high-tech centers, new roads and better schools. It would be his foundation for a "Southside Century."

Implicit in his pitch was this message: Tobacco is under assault in the United States, and it is gradually losing its importance in the region, so we need to look at new opportunities.

That's bitter medicine for people whose livelihood, for generations, has depended on the crop, which pumps $186 million into the state's economy. But Beyer says diversification is key to the community's survival.

"The world's changed," he said, dressed in a business suit and standing next to a bank of computer terminals. "We need to make sure that people have the education and skills they need. The big-picture writing on the wall is that information and knowledge jobs are dominating this economy and will be for the next 100 years."

Political analysts say Beyer's message about a new Southside reality may be harsh for some, but those are votes he would have had difficulty snagging anyway. The implied theme of tobacco's decline aligns with the Democrat's philosophy on the future of the work force, they say.

"It's in concert with Don Beyer's overall message from Northern Virginia: that high technology is the wave of future economic development," said William Wood, executive director of the Sorensen Institute for Political Leadership in Charlottesville.

"For folks whose livelihood is dependent upon tobacco, Don's not going to get many of those votes. But he never was anyway. And he has a larger message which is consistent with his overall message: economic development."

See BEYER, B5, Col. 3

BEYER, From B1

Beyer's expressions of support for farmers were immediately dismissed by his GOP rival, former state attorney general James S. Gilmore III, as yet another example of Beyer flip-flopping on an issue, this time by trying to cast himself as farmer-friendly.

"He's a liberal politician with no credibility," said Mark Miner, Gilmore's spokesman. "He's been fighting tobacco farmers for two years now. Now he goes to Southside to make up lost ground."

Other GOP critics say Beyer is trying to play it both ways—appeal to health-conscious voters in Northern Virginia and appease farmers in Southside. "He's a walking Mason-Dixon Line," said Mike Salster, spokesman for the Republican candidate for lieutenant governor, John Hager, a former tobacco company executive. "He says one thing up north, and another thing down south."

In an interview, Beyer said tobacco will always have a role in Southside Virginia. "But the jobs that we create in Virginia and America in the next 25 years are going to be based on what we know, primarily, much more than what we grow or what we get out of the ground," he said.

Back in Danville, two tobacco growers stood quietly to the side of the college library, taking stock of the politician. They cautiously praised Beyer's ideas for economic development but said they would reserve judgment until they had a chance to share his plan with other growers.

"This is really the first thing we've heard from Don Beyer," said J.T. Davis Jr., a crop insurance specialist, adding that he considered Gilmore "tobacco-friendly" for his opposition to Food and Drug Administration regulation of tobacco. "When it comes to voting, the tobacco growers are going to look at who best is going to meet their economic needs."

Out in the rolling hills of tobacco, a more raw sentiment emerges.

"No More Taxes or Bans on Our Tobacco," shouts a sign off Route 360 west, next to the Charlotte County tobacco farm of C.W. Vaughan and his 20-year-old son, Charlie.

It was the younger Vaughan who got so fired up about the federal assault on tobacco a year ago that he hand-lettered the sign and stuck it high on the road shoulder for all to see. He hopes Beyer takes notice.

"Don Beyer's coming down here to Danville, to tobacco country, to say all this about supporting us," he said. "Why isn't he saying it in Richmond?"

C.W. Vaughan, 56, grudgingly allowed that Beyer's got a point about the changing economy. But it still hits him in the gut. "The future of tobacco doesn't look good now," he said. "It's been here 400 years. And all of a sudden it's gone."

A grower of flue-cured tobacco like his father before him, C.W. Vaughan farms 40 acres. He gave up cigarettes and said he doesn't want children to smoke. "But don't you think that's where the parents ought to come in?" he asked. "It ain't up to Uncle Sam to tell us how to raise our kids."

Charlie Vaughan said he fears for his father. "He's been in it for 30 years," he said. "He doesn't really know anything else. I can kind of go into something different."

In fact, the young farmer, who's got a Virginia Tech degree in animal agriculture, has taken out a $220,000, nine-year loan to build hog houses. Just in case.

Beyer has proposed $40 million in economic development incentive grants for distressed regions such as Southside, Southwest and the Eastern Shore. He has proposed tax credits for businesses that retrain workers and a sports center to attract tourists to Southside.

Beyer would not say what percentage of the federal settlement he thinks tobacco farmers should get, but said that some of Virginia's share should be reserved for public health programs.

At a cantaloupe festival set amid the tobacco farms of Halifax County, just up the road from Danville, Beyer made a stop last week to greet prospective voters. A man who had noticed signs leading to the festival saying, "Don Beyer, Stay Off Our Farms," asked Beyer for his opinion of tobacco "in 20 words or less."

Beyer smiled wanly and launched into a well-rehearsed response. "Number one, we have to be aggressive in protecting children," he said. "I supported the FDA regs that are in the settlement now. . . . But I also think we need to make sure we support our tobacco-growing communities."

The candidate said he does not expect to be greeted with open arms by tobacco farmers. He knows his stands have made him unwelcome in tobacco country.

"The only way I can address it is to come to Danville and to Halifax and to show up and say, 'I'm not the enemy,'" he said. "I think we're all striving for the same things."

The Washington Post

TUESDAY, JULY 29, 1997

A Military Solution

By Mike Causey
Washington Post Staff Writer

Many military veterans would get added layoff protection under legislation introduced by Sen. Chuck Hagel (R-Neb.). His bill, similar to legislation already passed by the House, also would give veterans additional preference in hiring. It represents the first glimmer of interest (although late in the legislative year) from the Senate to set up a new level of veterans preference in the civil service.

Hagel's bill is modeled on the plan drawn up by John L. Mica (R-Fla.), chairman of the House Government Reform and Oversight subcommittee on the civil service. Supporters say it would help protect veterans from being unfairly put on the front line during layoffs. Mica objects to so-called designer RIFs (reductions in force), which can be used to protect certain employees—or groups of workers—who lack seniority or veterans preference protection. Critics say the plan would establish two personnel systems within the civil service, one for vets and one for non-vets.

The Mica-Hagel proposal would cover nearly everyone who served in the military from Dec. 7, 1941, to July 1, 1955; those who served 180 consecutive days between 1955 and 1976; or those who received a Combat Campaign Badge after 1976.

Investment Deadline

The current open-enrollment season for the tax-deferred thrift savings plan ends at the close of business Thursday. The majority of federal and postal workers already are investing in the plan, which offers workers the choice of a stock-index fund, the C-fund; a bond-index fund, the F-fund; or a special Treasury securities fund, the G-fund.

During the open season, federal and postal workers who aren't enrolled in the plan can join it. Those who already are enrolled can redesignate which fund, or funds, they want to invest in via payroll deductions.

Feds who miss this open season will have to wait until November for another chance to enroll or reallocate contributions. That open season will run from Nov. 15 through Jan. 31.

Despite the popularity of the federal 401(k) plan, there are still some employees who haven't gotten the word. For example, a letter came from E.B.F., a postal worker in Martinsburg, W.Va. He writes:

"I've been watching your references to the C-fund. . . . Please send me an address and phone number. . . . Banks here don't have any information on the fund."

The C-fund is one of the funds offered by the thrift savings plan to federal and postal workers. Banks have nothing to do with it. To sign up, get a copy of TSP Form Number One from your personnel office. If officials there don't have it, they (or you) can download the form from the thrift savings plan Internet site, at *http://www.tsp.gov* on the World Wide Web.

People

The Navy's **Norman A. Shaw** will retire this week after 31 years with Uncle Sam. He's been with the Office of the General Counsel all that time and has been counsel for the Strategic Systems Programs for the last 23 years. **Dennis M. Curley**, of Veterans Affairs, has been named a member of the Federal Prevailing Rate Advisory Committee. It helps set pay policy for the government's 260,000 wage grade (blue-collar) feds. Before the VA, Curley worked for the Office of Personnel Management and the Navy.

Buyout Repayments

Federal workers in non-Defense agencies who receive buyouts generally have to repay the full amount of the buyout (not the amount they received after deductions) if they return to government as an employee or a personal service contractor within five years. In yesterday's column, the word "personnel" got substituted for "personal." If you have taken a buyout and plan to return within the five-year period, check with the hiring agency's legal office to be sure that you will not be considered a personal service contractor and therefore subject to the repayment requirement.

Tuesday, July 29, 1997

The Washington Post

TUESDAY, JULY 29, 1997