tob.
farm conferees

TALKING POINTS ON OPTION FOR TOBACCO CONTROL PROGRAM

- Federal program terminated at date certain.
- Provision would give states the option of continuing their program on a state or regional basis.
- Program would not cost federal government a dime.
- States or regions would be able to vote to control the amount of tobacco grown in their state or region, state could set floor prices.
- Economic development money splits the difference between Lugar and LEAF.

J.R.

At the end of the matter proposed to be inserted, insert the following:

Sec. ___01. FINDINGS AND PURPOSES.

(a) FINDINGS. The Congress finds the following:

(1) There are 124,000 family farms producing tobacco across the United States, and four large tobacco manufacturers controlling 98 percent of the domestic cigarette market;

(2) Tobacco manufacturers have an enormous potential bargaining advantage over individual tobacco farm families in the current marketplace;

(3) The current federal tobacco program, which limits supply and sets a minimum purchase price for domestic tobacco, gives tobacco farm families important bargaining leverage which they would otherwise not have in the current marketplace;

(4) Since 1982, tobacco farm families have paid an assessment on every pound of tobacco sold, to cover all costs associated with the tobacco loan program, which has operated at no net cost to federal taxpayers;

(5) Notwithstanding the existence of a No Net Cost tobacco program, a widespread and inaccurate perception exists that there is a tobacco "subsidy" within the federal budget which benefits tobacco farm families;

(6) So long as this inaccurate perception exists, the federal tobacco program is subject to potential elimination or modification through legislation;

(7) In order to assure that tobacco farm families remain in a fair bargaining position in the current marketplace, it is worthwhile to consider alternatives in the event that the federal tobacco program is eliminated; and

(8) Enhanced authority for States to enter into interstate compacts to administer their own tobacco supply control programs could be structured to achieve the objectives of limiting supply, assuring a fair price for tobacco growers, and providing a fair bargaining position for tobacco farm families in the current marketplace.

(b) PURPOSES. The purposes of this title are--

(1) to enhance the authority of States to enter into interstate compacts to provide for the control and regulation of tobacco production;

(2) to transfer the operation of the federal tobacco quota, price support, inspection and grading programs, as currently operated by the Department of Agriculture, to the States; and

(3) to provide for the long-term viability of family tobacco farms by creating a State program mechanism which gives family farmers the bargaining power to survive in the current marketplace~~; and~~.

Sec.___02. Interstate compacts to control tobacco production.

Section 1 of the Tobacco Control Act (7 U.S.C. 515) is amended to read as follows:

"**Sec. 1. Interstate compacts to control production.**

"**(a) In General.**--The Congress of the United States of America consents that any of the States in which tobacco is produced during the 1998 marketing year may negotiate a compact or compacts for regulating and controlling the production of, or commerce in, any one or more kinds of tobacco therein."

"**(b) Scope of Interstate Compacts.**--Any compact negotiated under the authority provided by this Act may create appropriate regulatory entities in order to--

(1) establish a national or regional marketing level for one or more types of tobacco;

(2) issue quotas or permits to individual producers setting forth annual tobacco production rights for such individuals;

(3) establish tobacco floor prices for one or more types of tobacco grown within such States;

Constitutional

(4) enter into loan agreements with producer-owned cooperative marketing associations to make tobacco floor prices available to producers of a type of tobacco;

(5) support and control the production of tobacco on a national or regional basis in a manner consistent with the authority historically provided to the Commodity Credit Corporation;

(6) provide for an orderly auction system for the marketing of tobacco;

(7) provide for the inspection and grading of tobacco;

processors

(8) prohibit the production of one or more types of tobacco within the borders of such States except in accordance with regulations issued by the appropriate regulatory entity created by such compact; and

(9) administer and enforce all authority established under such interstate compact on a national or regional basis.

National

"**(c) Independent State action.**--Any State in which tobacco is produced during the 1998 marketing year may independently take any of the actions authorized under subsection (b) with regard to tobacco produced or marketed within its own borders.

Potential compromise

FARMER PAYMENTS	$16.5 bil.
$8/$4 formula of both bills unchanged Speed of payments: as fast as bill will allow (McCain's call)	
PROGRAM	
Terminates after 15 years Authority for Interstate Compacts after 15 years	
PROGRAM COSTS	$ 1.5 bil. (max.)
Covered as under LEAF Act for 15 years	
ECONOMIC DEVELOPMENT/EDUCATION	$ 4.46 bil.
80% of LEAF Act amounts Limit Economic Development to 15 years Limit Education grants to 20 years	
OVERALL COSTS	$ 22.46 bil.