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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	re: Tobacco Farmers Meeting [Personally Identifiable Information] [partial] (1 page)	08/08/1998	b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Tom Freedman
OA/Box Number: 17553

FOLDER TITLE:

Tobacco Farmer Erskine

2015-0274-S
rc1889

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
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Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Delvin Bryant

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③ Leaf
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PRESERVATION

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Ag - Farmers
Essence

THE WHITE HOUSE

WASHINGTON

From the Office of:

The Domestic Policy Council

Elena Kagan
Deputy Assistant to the President
for Domestic Policy

TO: Tom Freedman

FAX: 67431

PHONE:

PAGES:

MESSAGE: * Just attach Glickman's memo
* Then show Elena final memo

Please call (202) 456-5584 if there are any problems with the transmission.

August 4, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: ~~ELENA KAGAN~~ Bruce Reed
JANET MURGUIA

SUBJECT: MEETING WITH TOBACCO FARMERS AND REPRESENTATIVES

On Thursday, August 6th, you will ~~be~~ meet~~ing~~ with Democratic members of the North Carolina delegation and tobacco farmers from several states to discuss the unusually small amount of flue-cured tobacco the companies have been purchasing. We ~~understand that Bruce Flye, President of the Flue-Cured Stabilization Cooperative Association, would like to make a presentation to you about~~ expect participants in the meeting to describe the magnitude of the flue-cured problem and urge ~~you~~ the Administration to ~~support~~ put~~ting~~ pressure on the companies to purchase more flue-cured tobacco. The attached memo provides ~~a~~ background on who will attend the meeting, describes their areas of concern, and suggests talking points.

In addition, Secretary Glickman's office has prepared a very useful status report on projected tobacco sales this year and next, which we have attached.

Who Will Attend (All Democratic members from North Carolina)
Rep. Eva Clayton
Rep. Bob Etheridge
Rep. David Price
Rep. Mike McIntyre
Rep. Bill Hefner
Rep. Melvin Watt

Rep. Clayton's office has not finalized a list of farmers who will attend. We expect ~~They say~~ farmers from each member's district in North Carolina ~~will attend~~, as will farmers from Florida, Virginia, and South Carolina. In addition, Bruce Flye, President of the Flue-Cured Stabilization Cooperative Association, will attend.

We ~~have~~ also invited Dallas Smith of USDA who is an expert on tobacco programs; Flye ~~and who the groups~~ specifically requested that Smith be present.

Background on Current Market Conditions

As you may know, when the ~~5~~ five tobacco companies ~~refuse~~ decline to purchase at the set price, ed in places percent. in the two

tobacco the farmers' cooperatives buy the tobacco and release it for sale at a later time when the market is more hospitable. Flue-cured tobacco markets opened in Florida on July 21st and ~~have been~~ opening further north ~~over the last few~~ weeks. Initial sales have been very poor, with the cooperatives ~~being~~ forced to buy 19% of the tobacco on sale, up from the normal levels of 5-10%. Markets in the "Old Belt" of Northern North Carolina and Virginia opened ~~Tuesday, August 4th,~~ and we plan to update you on sales reports from there shortly before the Thursday meeting.

percent since then. today (August 4),

Tom: this is an apostrophe

Last week, Flye and other farmer representatives met with Senator Faircloth in an unsuccessful effort to persuade him to pressure the tobacco companies to increase their purchases. The farmers say they hope to get a commitment by the companies to purchase 550 million pounds of flue-cured tobacco. The companies' publicly stated purchase intention is ~~for~~ only 457 million pounds. ~~While~~ the companies are required to buy only 90% of their formal purchase intentions, they have indicated they will buy the full amount ~~of their purchase intention.~~

Although that STET percent this season.

~~Flye and some farmers from his group have previously met with representatives of the DPC, USDA, and OPL to discuss the difficult state of the markets. USDA and ~~the Administration have~~ worked closely with the farmers groups during the tobacco legislative negotiations, and you have previously met with tobacco state representatives to help ensure that comprehensive tobacco legislation contained measures acceptable to farmers.~~

~~As you know,~~ ~~the DPC~~

The AG's Settlement Agreement and Continuing Talks

current negotiations, best

As you know, The settlement agreement with the Attorneys General did not outline a plan to compensate farmers for the diminished domestic tobacco sales that might result from comprehensive legislation. The ~~on going talks,~~ according to our information, ~~also do not currently contain a farmer provision.~~

~~contemplat~~ have barely touched on the issue of ~~provisions to~~ protecting farmers.

Legislative Background

In the event that ~~If~~ a so-called skinny bill is introduced by Republicans in the House, we have worked with Democrats to make sure a substitute bill contains provisions acceptable to farmers. ~~However,~~ It seems unlikely that Republicans will introduce tobacco legislation ~~or that a Democratic counter-measure would pass.~~

decide to House that their increasingly however,

Talking Points

* **Discuss the scope and implications of the problem (the groups say they mostly want you to be aware of the problem):**

om: I'm assuming
his weird formatting
a function of my
-mail. Please
ake sure it looks
k.

The markets have opened very poorly for tobacco farmers.

percent

Declines in purchases this year and next mean reduction in quota and increased costs to farmers. USDA projects a possible 22~~%~~ reduction in quota from the 1998 level for next year and a significant increase in costs to farmers as they pay for the assessment that is part of the "no net cost assessment" the farmers pay to the government. ??

space → This hits farmers very hard, and reaches whole communities.

It also hits minority farmers very hard (~~15%~~ of flue-cured quota owners are African-Americans.)

A full 15 percent

* **Farmers have done nothing wrong.**

The President has repeatedly said tobacco farmers should not suffer in this process.

The tobacco farming community
~~They~~ worked closely with us in trying to put together legislation that reduced youth smoking and protected tobacco farmers and their communities.

* **Ask what steps they suggest**

om: ser
ide of these --
ust write
hat he
hould say.

Note Secretary Glickman is scheduled to go to North Carolina and mee~~t~~t with ~~tobacco~~ farmers on August 27, 1998 and will visit with Reps. Etheridge and Clayton.

State we will continue to urge the AG's to include compensation for farmers in any agreement they formulate.

Indicate that we will use whatever leverage we have to urge the companies ~~to purc~~hase 550 million pounds of tobacco this year. That it should not be a partisan issue.

You could ask them if they would favor the Administration putting forward legislation that would move the cost of paying the "no net cost assessment" from farmers to the companies alone. Currently, farmers pay some of this cost. In this year's agricultural appropriations bill we inserted a provision charging the companies for the cost of the program to support a food safety measure. However, this provision will likely be stricken on procedural grounds (the measure is deemed a tax because it did not originate in the House).

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

Tobacco farmers Erskine

INFORMATIONAL MEMORANDUM FOR ERSKINE BOWLES

FROM: Dan Glickman
Secretary of Agriculture

SUBJECT: Update on U.S. Tobacco

Tobacco is grown in 20 States. However, about 6 States, North Carolina, Kentucky, Tennessee, Virginia, South Carolina and Georgia, grow more than 90 percent of U.S. tobacco. I am tentatively scheduled to visit with Representatives Eva Clayton (D-1st, NC) and Bob Etheridge (D-2nd, NC) and tobacco farmers in Wilson, North Carolina, on August 27, 1998.

Flue-cured (grown mainly in North Carolina, South Carolina, Virginia, Georgia and Florida) and burley (grown mainly in Kentucky and Tennessee) are the major kinds of tobacco. Flue-cured and burley tobacco are both used in manufacturing cigarettes. Both kinds are under the price support-production control program administered by the U.S. Department of Agriculture. U.S. tobacco production is expected to be lower in 1998 than last year. The reduction is mainly in flue-cured tobacco. The 1998 flue-cured tobacco marketing season opened July 21 and will last through mid-November, The burley tobacco marketing season will open in late November and run through late February or early March.

1998 Tobacco Season

The 1998 tobacco marketing season opened recently amid considerable uncertainty: Hopes for national tobacco settlement legislation were dampened considerably when the full Senate could not agree, after 4 weeks of debate, on the comprehensive package of proposed legislation included in the McCain bill. This bill included compensation for quota owners, producers, tobacco communities, and special programs for limited resource farmers.

Although there is still a chance that a streamlined tobacco bill could be enacted this session of Congress, it probably would not include compensation for tobacco farmers and their communities. This combined with falling domestic demand for cigarettes, uncertain export demand, and the possibility of greater substitution of imported leaf for U.S. leaf could cause tobacco marketing quotas to be reduced and no-net-cost tobacco program assessments to increase.

The flue-cured markets opened in Georgia-Florida on July 21, in South Carolina-border North Carolina on July 28, eastern North Carolina on July 29, and Piedmont North Carolina-Virginia on August 4. After two weeks of flue-cured sales, it appears that loan receipts may be relatively large (15 to 20 percent of marketings) this season. Much of the early price support loan program receipts (some in excess of 25 percent of sales) were from 1997-crop farm carryover tobacco. As these tobaccos are sold, the percentage of loan receipts should decline. Prices may decline for the second year in a row. The potential decline in market price could have a significant impact on flue-cured producers' income since marketings will be down about 20 percent. Also, the decline in prices will have a negative impact on 1999 price support levels. Recent grower prices (two-thirds weight) are the most important component in setting the national average price support level; a cost-of-production index (one-third weight) is the other component.

1999 Crop Year Outlook

National marketing quotas for flue-cured and burley tobacco for the 1999 crop will be set by totaling (1) intended purchases by domestic cigarette manufacturers from the 1999 crop; (2) average exports for 1996/97, 1997/98, and 1998/99 marketing years; and (3) an adjustment to maintain loan stocks at the specified reserve-stock level of 15 percent of basic quota, or a minimum of 100 million pounds of flue-cured or 50 million pounds of burley. The Secretary of Agriculture must set the national quota within 97 to 103 percent of the 3-component total.

The combination of anticipated declines in domestic cigarette consumption of 2 to 3 percent annually for the next several years, stable cigarettes exports, and increased substitution of imported leaf for U.S.-grown leaf could reduce manufacturer purchase intentions by 5 to 7 percent in 1999. This would result in 1999 flue-cured purchase intentions of about 430 million pounds and 400 million pounds for burley.

Stocks of imported flue-cured and burley tobacco are at record high levels. In addition, up to 333 million pounds of leaf can be imported annually at low duty levels under negotiated tariff rate quotas (TRQ). Imports of cigarette leaf tobaccos (excluding Oriental) which exceed the predetermined TRQ are subject to an import duty of 350 percent ad valorem, although a draw-back provision allows most of the duty to be refunded if the imported leaf is re-exported as leaf or manufactured tobacco products such as cigarettes.

Leaf tobacco exports are down in 1997/98 because of larger world supplies and economic problems in Asian countries. During July-May, flue-cured exports are down about 15 percent and during October-May, burley exports are down 25 percent. This will likely result in a reduction in the export component of the 1999 flue-cured and burley quota formulas. The average export part of the formula might decline 20 to 25 million pounds for setting the 1999 flue-cured quota and 10 to 15 million pounds for setting the 1999 burley quota.

If 50-60 million pounds of flue-cured loan tobacco are sold before the 1999 national marketing quota is set, these sales would cause the loan inventory to equal the reserve stock level specified in the quota formula. Consequently, anticipated 1998 loan receipts of 150 million pounds could result in a 1999 flue-cured national quota of only 625 to 650 million pounds and a 22 percent reduction in quota from the 1998 level.

Likewise, if 30 million pounds of 1997 crop burley loan tobacco are sold before the 1999 quota is set, potential 1998 loan receipts of 200 million pounds (the net addition above the reserve stock level) could result in a 1999 burley national quota of only 460 to 480 million pounds and a 25 percent reduction in quota from the 1998 level.

Potential 1999 quota cuts coupled with reduced marketings and smaller incomes in the 1998 crop year will create hardships for all tobacco producers, but will be devastating to our minority and limited resource farmers (i.e., 15.3 percent of flue-cured quota owners are African-Americans and .7 percent are Native Americans).

SUMMARY:

The sudden loss of a comprehensive national tobacco settlement has left tobacco quota owners, producers, and their communities with an uncertain future. Tobacco farmer uncertainties about demand for leaf and the future of their long standing tobacco program are almost surely greater now than ever before.

EVA M. CLAYTON
1ST DISTRICT, NORTH CAROLINA

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SUBCOMMITTEES
DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
RANKING MEMBER

FORESTRY, RESOURCE CONSERVATION, AND RESEARCH

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FAX SHEET

DATE: 5 AUGUST 1998

TO: JANET MURGUIA Fax#: 456-6220

FROM:

X Johnny Barnes

__ Aimee Occhetti

__ Jean Chippel

__ Elli Klein

__ Corliss Clements James

__ Rose Carroll

__ Susan Kelly

__ Darnise Pearson

Pages Transmitted Including Cover Sheet: 2

Special Instructions: VOICI! THE LIST. AN OUTLINE OF THE PROPOSED AGENDA ITEMS HAS BEEN SENT TO TOM UNDER SEPERATE COVER.

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TOBACCO FARMERS WHITE HOUSE MEETING
with Erskine Bowles
Thursday, August 8, 1998

	Name	Social Security #	DOB
1)	Bruce Flye	[redacted]	
2)	Andrew Q. Shepard		
3)	Albert M. Johnson		
4)	Kenneth D. Dasher		
5)	James C. Pate		
6)	L. Arnold Hamm		
7)	Larry Sampson		
8)	Jackie E. Thompson, Sr.		
9)	Earl Brown Henderix	(b)(6)	
10)	John Edward Ashe, Jr		
11)	Keith Parrish		
Staff:			
12)	Susan E. Kelly		
13)	Wilson Bradly Woodhouse		
14)	William B. Bondshu		
15)	Darek Lane Newby		
16)	Julie Ananne Parks		

[001]

MEMBERS

The Honorable Eva Clayton - Susan Kelly
The Honorable Bob Etheridge - Brad Woodhouse
The Honorable David Price - Darek Newby
The Honorable Mike McIntyre - Bill Bondshu
The Honorable Bill Hefner - Julie Parks

Kenneth Keck - Bishop
John ~~Dall~~ Townsend - Baebler (5 minutes ago)

MEMORANDUM

TO: ERSKINE BOWLES

FROM: CONGRESSWOMAN EVA M. CLAYTON

DATE: AUGUST 5, 1998

RE: TOBACCO FARMERS MEETING

What is the number 1 issue at hand?

Avoid a drop in tobacco quota for the 1999 growing season. The repercussions of quota drop anywhere in the neighborhood of last year's 17% cut are well-known -- severe farm income loss and a decline in the number of small farmers, especially the limited resource farmers that Secretary Glickman and the administration have worked so hard to protect.

How do we avoid a drop in quota for the 1999 growing season?

Two ways: (1) The companies must fulfill their 1998 crop purchase intentions and perhaps purchase above those intentions; and (2) the current stocks in the stabilization pool (about 190,000,000 pounds after last year) must be thinned significantly.

How can the administration help in making these two scenarios happen?

(1) Companies: early indications from the markets are that the companies are going to make good on their repeated assertions to tobacco-state members of Congress and fulfill their 1998 purchase intentions The administration can weigh in on this matter by stressing to the companies how important it is to buy up the 1998 crop. The administration can also indicate to the companies that it is equally important to consider going above their domestic purchase intentions -- substituting U.S. tobacco for the foreign-grown leaf they have been importing at increasing rates the past few years.

The administration has at its disposal a tool to urge this consideration -- duty drawback under the tariff rate quota system. Under duty drawback, the tobacco companies are able to re-coup almost all (98%) of the penalties assessed to them for surpassing an agreed-upon level for imports for a given year, so long as the imported tobacco is packaged and exported for foreign consumption. The administration has previously indicated a willingness to investigate this system which has afforded tobacco companies the ability to purchase more and more foreign-grown leaf at the expense of domestic tobacco which carries a higher cost due to the tobacco program.

(2) Stabilization stocks: Last year's marketing season saw nearly 200,000,000 pounds of flue-cured leaf placed under loan, and that figure has increased during the first few weeks of the 1998 marketing season. As the amount of tobacco in the stabilization pool plays a role in determining yearly quota levels, it is as important to reduce these stocks as it is to ensure the current year's crop is purchased. Potential avenues of help from the administration: help facilitate an agreement between the companies and stabilization to sell the stocks below cost (using grower fees currently on reserve at stabilization to make up the difference) in exchange for the companies buying above their 1998 intentions; or packaging the stocks for sale overseas at a lower cost.

Without reducing the size of the stocks currently under loan, a sizeable quota drop is inevitable even if the companies buy their agreed to amounts of the 1998 crop

Other areas of assistance:

As is has been made clear by the leadership of the House, that any tobacco legislation presented this year will be severely limited in its size and scope, and therefore will not be a vehicle for significant grower compensation, pursuing previously debated tobacco farm legislation seems a moot issue.

All farmer bills (buy-out proposals, LEAF Act, etc.) emerged from a fear in the grower community about the future stability of tobacco production. Removing that fear eliminates much of the clamor for buy-outs or buy-downs as advocated in previous legislation. A way to remove this fear and uncertainty is to guarantee a minimum purchase level for domestic tobacco, at least until the 1996 farm bill is re-opened (2002 or sooner) and accommodations can be made for tobacco growers squeezed out of business by declining quota.

An agreement of this nature was legislated in the early 1990's, but dropped by the administration when faced with problems associated with GATT. Therefore, any future action guaranteeing a quota floor until a legislative fix can be achieved would have to come in the form of an agreement between the companies and stabilization. Administration support of such an agreement could help facilitate one.