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FAX COVER SHEET

tobacco farmers Exports

TO: Tom

FROM: Brad

DATE:

NO. OF PAGES INCLUDING COVER: 6

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

SEP 28 1998

Mr. Larry B. Wooten
Assistant to the President
North Carolina Farm Bureau Federation
Post Office Box 27766
Raleigh, North Carolina 27611

Dear Mr. Wooten:

Thank you for your letter of September 2, 1998, to Secretary Glickman urging the Department of Agriculture (USDA) to take a number of actions to increase exports of U.S. tobacco. I have been asked to respond on behalf of the Secretary.

Regarding your specific suggestions, we point out that both the Omnibus Budget Reconciliation Act of 1993 and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1998, contain language that prohibits USDA from using funds to promote the sale and export of tobacco and tobacco products. The prohibitions cover a number of programs, including the Export Credit Guarantee Program (GSM-102), the Intermediate Export Credit Guarantee Program (GSM-103), Supplier Credit Guarantee Program, Export Enhancement Program, and Market Access Program. Further, with respect to U.S. food aid programs, the United States has agreed, as part of its international trade obligations, not to make purchases of U.S. agricultural commodities a condition for receiving food aid.

Last February, the Department of State sent a cable to all diplomatic posts, which provided guidance on health, trade, and commercial issues related to tobacco. These guidelines prohibit our overseas posts and Agricultural Trade Offices from promoting tobacco or tobacco products and directs them not to challenge laws that are based on sound public health principles and are applied in a nondiscriminatory manner to both imported and domestic tobacco and tobacco products. The guidance allows these offices to continue routine business facilitation services and to address trade issues that are discriminatory. Regarding any trade agreements or market access negotiations into which the United States may enter, USDA will treat all U.S. commodities equally. While tobacco cannot be promoted, it will not be ignored.

With regard to the Chinese market, USDA supports China's accession to the World Trade Organization (WTO), as you know. However, this must be done on sound commercial terms. China must make reforms that allow market access opportunities, and will be required to conform to WTO rules. These principles will apply to all commodities, including tobacco.

BOB ETHERIDGE
2D DISTRICT, NORTH CAROLINA

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September 11, 1998

The Honorable Dan Glickman
Secretary, United States Department of Agriculture
Fourteenth Street and Independence Avenue, SW
Washington, DC 20250

Dear Secretary Glickman:

I want to take this opportunity to thank you again for agreeing to my request and visiting North Carolina last week. As you know from your visit, American tobacco farmers are facing a perilous and uncertain future. Tobacco farmers have been unfairly hurt as a result of the recent debate over national tobacco policy.

Tobacco farming is vital to the economic prosperity of rural North Carolina and many other states. Our farmers need and deserve a level of certainty and stability for the future if they are to survive. Part of that future depends on increasing exports. It is only fair and just that tobacco farmers have access to the same export enhancement programs available to other agricultural commodities. Tobacco farmers work hard and play by the rules to grow a legal crop. They have done nothing wrong. However, they have been forced into hard times, and in some cases bankruptcy, by circumstances beyond their control. I know you agree that the federal government has a duty and a responsibility to stand by them and protect them from devastation.

As you know, flue-cured tobacco farmers experienced a 17-percent reduction in tobacco quotas for 1998. Every pound of tobacco that goes into the Flue-Cured Tobacco Cooperative Stabilization Corporation this year will result in a further reduction of quotas in 1999. If quotas continue to fall, many small and medium-size farmers will not survive. Knowing of your support for small farms, I request that you consider the following items which will help provide economic stability to small and medium-size tobacco farmers. As you know, these items have been endorsed by the North Carolina Farm Bureau Federation.

- Open China's markets to U.S. tobacco and tobacco products. This should be a condition for China's membership in the World Trade Organization.

- Use GSM-102 credit programs to sell unmanufactured American tobacco to emerging markets, especially Southeast Asia.

- Include tobacco during the upcoming negotiations on the Free Trade of the Americas

Agreement (FTAA).

- The office of the United States Trade Representative and USDA Trade Policy should include tobacco in market access negotiations along with other U.S. agricultural commodities.

- Greater flexibility should be allowed for use of No-Net cost funds in order to enhance the movement of Cooperative Stabilization tobacco stocks into non-traditional markets.

- Increase the percentage of U.S. produced leaf tobacco in the domestic blends of those countries that receive U.S. foreign aid.

- Reconsideration should be given to tobacco's use of USDA export promotion programs, Enhancement Funds, credit guarantees and Market Access Program funds.

Mr. Secretary, most small farms in North Carolina cannot survive without tobacco, and tobacco in this country cannot survive without free and fair access to export markets. In our August meeting on this issue at the White House, I was gratified that you and White House Chief of Staff Erskine Bowles pledged to work expeditiously to find avenues for providing economic stability for tobacco farmers. As tobacco farmers face an immediate crisis, I look forward to hearing from you soon about how we can increase exports of American tobacco.

Sincerely,

Bob Etheridge

Bob Etheridge
Member of Congress

Suggested Language for Glickman Response to Tobacco Export Letter With Respect to Points Two and Seven

Option 1

"With respect to your request that the Department consider using GSM-102 credit programs and other export promotion programs (Enhancement Funds, credit guarantees and Market Access program funds) for the purpose of increasing tobacco exports, the Department is prevented from using such programs to benefit tobacco as a result of legislation passed as part of the 1994 Agriculture Appropriations act. This legislation provides that no funds for these programs are to be used to promote the sale or export of tobacco or tobacco products. However, consistent with this Administration's longstanding commitment to tobacco farmers, we would not oppose legislation to reinstate one or all of these export enhancement programs for the express purpose of promoting the sale and/or export of unmanufactured tobacco leaf, to the exclusion of manufactured tobacco products."