FAX COVER SHEET

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Date: 6/15/98 - 12:46 p.m. again at 3:30 p.m.

TO: Tom Freedman
WH

FAX NO:

PAGES: 5
(including cover)

FROM:

- ☐ AUGUST SCHUMACHER
- ☒ DALLAS R. SMITH
- ☐ JIM SCHROEDER
- ☐ TERESA GRUBER
- ☐ JOHN WINSKI
- ☐ BUTCH MAY
- ☐ KATHY BLYTHE
- ☐ JACKIE BURRELLO
- ☐ VICKIE PAIGE

COMMENTS:

Attachments

KERREY AMENDMENT (NO. 2530)

Amendment covers 7 years - FY 1999-2005

Payments:

- Owner - 30 percent of the value of the 1997 crop for each of the 7 FYs. About 52 cents per pound per year for flue-cured or $3.64 paid over 7 years, and 56 cents per pound per year for burley tobacco or $3.92 paid over 7 years.

- Tenants - 15 percent of the value of the 1997 crop for each of the 7 FYs. About 26 cents per pound per year for flue-cured or $1.82 paid over 7 years, and 28 cents per pound per year for burley tobacco or $1.96 paid over 7 years.

Rural Economic Development:

- $200 million for each of FYs 1999-2003.

- Block grants to tobacco producing States to assist developing alternatives to tobacco, education and retraining, and assistance to tobacco warehouse operators.

Termination of tobacco price support and production adjustment programs:

- Effective for 1999 crop.

- Tobacco loan stocks must be disposed of within 1 year after effective date of legislation.

Establishment of Tobacco Producers Marketing Corporation:

- A federally chartered instrumentality of the U.S.

- With the duty to negotiate with buyers of tobacco produced in the U.S on behalf of producers of the tobacco that elect to be represented by the Corporation.

Assistance to Producers Experiencing Losses of Farm Income: - $250 million for each of FYs 1999 - 2004 for catastrophic losses in farm income.

Concerns:

- The Kerrey amendment would end the tobacco price support program abruptly. Quota holders and producers would have little time to plan for tobacco production under a free market, alternative crops or other employment.

- The Kerrey amendment would provide considerable uncertainty in the market place. If tobacco product manufacturers foresee an end to the current program in 1999, loan receipts will rise sharply in 1998. These loan stocks will have to be repriced to be competitive with production without a program in 1999 or subsequent years. This would result in prices falling even lower than the $1.15 per pound projected for flue-cured and $1.35 per pound projected for burley tobacco under a free market conditions of the Lugar Bill.

- The requirement that all loan stocks be sold within one year would cause severe losses in loan outlays. The Kerrey amendment does not indicate that the funds for these losses would be covered other than by taxpayers. The losses could well total between $500 million and $1 billion. In addition, the fire-sale of these loan stocks could depress prices for U.S. tobacco for several years.

- Quota holders would receive less than $4.00 per pound and tenants less than $2.00 per pound during the prescribed payment period compared with $8.00 per pound for quota holders and $4.00 per pound for tenants and lessees under the Ford or Lugar Bills.

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LUGAR AMENDMENTS No. 2501 AND 2502

Both Lugar amendments would:

- Result in payments of $1.7 billion larger than with the original Lugar Bill during the first year after enactment. These payments would be $5.3 billion higher than projected for the Ford Bill in its first year.
- Delay, commensurately, funding for youth tobacco use and other programs intended under the comprehensive tobacco settlement.