

CAMPAIGN For TOBACCO-FREE Kids

NATIONAL CENTER FOR TOBACCO-FREE KIDS

FACSIMILE TRANSMISSION

NUMBER OF PAGES:

TO:

Tom Friedman

FROM:

Scott Ball

DATE:

✓ 12/1/98
J. J. Ball

SUBJECT:

Tom - FYI. It's interesting to note how Rod + Danny are dancing around the tax issue.

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SETTLEMENT S TAKE

Health groups, tobacco farmers join forces to back bills

BY GREG WEATHERFORD

TIMES-DISPATCH STAFF WRITER

Health groups and tobacco farmers joined forces yesterday to stake their claims to the state's share of the \$206 billion tobacco settlement.

"It is due time for farmers and health advocates to put our differences second and the health of Virginia and its small farmers first," said Joy Bechtold, assistant director of advocacy for the American Cancer Society.

C.D. Bryant of Concerned Friends of Tobacco, a growers' group, agreed. "Everyone understands that there is a responsibility to all the communities in Virginia, to the growers and to the health community."

The farm and health groups met in the state Capitol to support bills setting aside 60 percent of Virginia's share of the master settlement agreement, in which the largest tobacco companies agreed to reimburse states for tobacco-related health costs.

Matching bills

The matching bills would create two independent funds. House Bill 2635 and Senate Bill 1165 are sponsored by state Sen. Charles R. Hawkins, R-Pittsylvania, and Del. Whittington W. Clement, D-Danville, and include an amendment proposed by Sen. Patricia S. Ticer, D-Alexandria.

One fund would control half the state's settlement money and use it to reimburse tobacco farmers and to research ways to lessen their dependence on tobacco. The other fund would control 10 percent of the money to combat youth smoking.

The General Assembly would decide what to do with the 40 percent not tapped for the funds.

That isn't enough for Anne Morrow Donley, co-founder of Virginia's Group to Alleviate Smoking in Public and a vigorous critic of the settlement agreement. The settlement is meant to reimburse Medicaid costs for smoking-related illnesses, she said, and shouldn't support tobacco farmers.

'Victims are being forgotten'

"Tobacco victims are being forgotten in all these settlements," Donley said.

Gov. Jim Gilmore has proposed giving growers half the state's share and splitting the rest evenly between health-related and transportation projects.

Under the bills, a 15-member board of trustees for a Virginia Tobacco Settlement Foundation would control the health-related part of the funds. Nine members of the board would represent health professionals or groups.

That aspect of the bills folds in an earlier bill by Ticer, who spoke in favor of the revamped bills yesterday.

The bills also would create a 19-member Tobacco Indemnification and Community Revitalization Commission to control the tobacco farmers' fund.

That commission would be controlled by members living in Southside Virginia, where most of the state's \$188 million in tobacco is grown. Eighteen of its 19 members would hail from Southside. Appointments would be made by General Assembly members, the Virginia Farm Bureau Federation and the commissioner of agriculture.

The bills also would keep the governor and the General Assembly from fighting to use the settlement money for other causes, said Clement, patron of the House bill.

Groups supporting the bills include the Virginia Farm Bureau, the National Black Farmers Association and the state chapters of the American Lung Association, the American Heart Association and the American Cancer Society.

National settlement

Under the national tobacco settlement, Virginia is expected to get \$49 million in fiscal 1999-2000. By 2010, the state will get about \$1.48 billion. The total could top \$4 billion over 25 years. The bills propose that tobacco farmers get half that money.

A separate \$5.15 billion fund was created last month by the tobacco companies to reimburse tobacco growers.

The money is needed to keep Virginia's tobacco farmers from devastation, said the bill's supporters.

"Our farmers face their greatest crisis since the founding of Virginia," said Hawkins, Senate bill patron. Tobacco is the state's leading cash crop.

In the face of diminishing cigarette sales from settlement-induced price increases, the U.S. Agriculture Department announced a 17 percent cut in tobacco quotas this year, following an 18 percent cut last year. Those decreases and future cuts mean the state's tobacco farmers will lose \$1.2 billion because of the settlement agreement, Hawkins said.

Rec'd. Times Dispatch 2/4/99

B&W asks farmers to fight tax increase

Larry Forgy will act as ambassador to growers today in Maysville talk

By JOE WARD
The Courier-Journal

Larry Forgy will carry an olive branch from Louisville-based Brown & Williamson Tobacco Corp. to Kentucky tobacco farmers at Maysville today, hoping to enlist their efforts in a fight against President Clinton's proposed 55-cents-a-pack cigarette tax increase.

If the tax can be turned back, he plans to tell them, the

28.8 percent cut in tobacco quota announced by the U.S. secretary of agriculture Monday may be the worst news they'll have to face.

"If we defeat the new taxes, Brown & Williamson believes quota reductions have about reached bottom. And may, over time, go up," Forgy says in the text of a speech to be delivered at noon today.

Forgy, a Lexington attorney and former Republican gubernatorial candidate, serves as a

legal consultant to B&W, the country's third-largest tobacco company. He will be speaking on the company's behalf today to farmers gathered at Maysville Community College's Agronomy Day. Forgy gave The Courier-Journal a copy of his speech yesterday.

Tobacco farmers across the state were stunned two weeks ago when the tobacco companies announced they expect to buy 30 percent less tobacco in 1999 than they bought in 1998. The companies' buying intentions are a major element in a government formula for setting tobacco quotas, which tell the farmers how much tobacco

they can grow under the federal price support program.

The companies' announced intentions were the major factor in the drastic cut in quota announced Monday, which was the largest such decrease in history and will cause an equivalent cut in income for many farmers.

Some farmers — including Daviess County's Rod Kuegel who is president of the Lexington-based Burley Tobacco Growers Cooperative Association — argue that the companies don't need to cut their purchases that much. They say the companies could demonstrate support for U.S. farmers

by cutting back instead on imports of less-expensive tobacco.

The speech Forgy today doesn't talk about imports. He says the tobacco industry "got mugged by the plaintiffs' lawyers" during 1987 and 1998.

The cigarette companies agreed to a \$206 billion national settlement of legal claims from the states to forestall the possibility that "a runaway jury in any one of the



See B&W

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B&W seeks burley growers' support

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states could bankrupt the entire industry," he says. Forgy says the settlement has already led to a 45-cents-a-pack increase in cigarette prices, which will depress demand for cigarettes and has caused the cut in tobacco quota.

Forgy said if Clinton succeeds in increasing the tax, cigarette sales will continue to fall, and that will lead to less tobacco being grown.

"We need your help again to defeat this new tax," Forgy says in his

prepared text. "It is in our interest; yes indeed, but it is also in the farmers' interest, Kentucky's interest, and the entire tobacco family's interest."

Kuegel said he agrees with Forgy that there should be no buying cuts worse than the ones the industry has already announced. In fact, "I think they will need more tobacco than they're indicating in their buying intentions," Kuegel said.

But he said farmers likely will get on board in the fight against the new tax. "Farmers in general still see the

tobacco companies as their only customer," he said.

Danny McKimney, the co-op's chief executive officer, also said most farmers probably will support the fight.

But he said the companies could do more to earn the farmers' support.

"If we're a family, most families get together and talk about everything that concerns the family. We have concerns about imports."