

Remarks prepared for Dallas Smith
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to the Flue-Cured Tobacco Cooperative Stabilization Corporation Annual Meeting
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Tobacco
Issues
- Dallas
Smith

Introduction

Thank you for this opportunity to join you today. It's always a special pleasure to get the chance to return to my home state, to see familiar faces, and to hear familiar voices once again. And, of course, tobacco is part of my roots. This is where I'm from, and I'm back here today to talk with you about some concerns that are as close to my heart as they are to yours.

Tobacco Legislation

I know that you've got a lot of questions about the current tobacco legislation and I am going to acknowledge up front that I cannot answer many of your questions. This legislation is a very fluid situation at this time and trying to predict the outcome of the

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legislative process is somewhat like trying to predict the weather. I understand the uncertainty that this cause many of you to feel, particularly with your crop set out and the market scheduled to open in less than 60 days. But I want to share with you what I do know about the situation and pass on to you the assurances that we at USDA and in Administration also understands how you feel--and that we want to see stability brought back to the production and marketing of tobacco.

Yes, we all know that there are some concerns out there that have to be addressed. I think we have some common concerns and some that we disagree on. I feel some times that trying to build consensus in a democracy is like trying to carry a sheet of plywood in a Hurricane. This is particularly true among tobacco producers. But, I believe their is a great deal of consensus among tobacco producers as in the public in general "that our children should not be smoking". There is also general agreement that we have to do

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something about the problem of teenage smoking. But in doing something about teenage smoking we do not have to put the tobacco farmers or the tobacco companies out of business.

But I want to repeat something that President Clinton said in early April in a tobacco meeting in Carrollton, Kentucky. He said in response to announcement by tobacco companies to withdraw from the discussion with Congress on legislation, that " We have no interest--no interest whatever--in putting the tobacco companies out of business. We just want to get them out of the business of selling tobacco to children and I think it is important that every American recognizes that the tobacco farmer has not done anything wrong, you are growing a legal crop and you are not doing the marketing of tobacco to children, you are doing your part as citizens".

Concern for Growers

The President went on to express his concerns about increases in youth smoking and the need for a comprehensive approach to

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dealing with the without leaving the growers out as was done by the tobacco companies and State Attorneys General in their agreement last June. The approach by Senators Ford and Hollings, if enacted, does in fact provides some level of certainty and security to the tobacco issues and thus passing of this type of comprehensive legislation could be very beneficial to growers with the markets opening very soon. It is our hope that the Senate will take up the legislation next week upon their return from the Memorial recess and that the House of Representative will act swiftly on similar legislation for the reasons I just mention.

I'm sure all of you know, I grew up on a tobacco farm right here in North Carolina. I know from personal experience what everybody here today knows that tobacco is very important to economies of our communities and that there are not any agricultural alternatives to growing tobacco. I am pleased to now hear those in the none agricultural community beginning to show

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some recognition of this fact. When you are talking about transition with regard to tobacco production you are talking about transitioning out of agriculture and all the implication to the rural infrastructure that has supported this industry over the years. I not only grew up on a tobacco farm, I also have spent 30 plus years in USDA developing and implementing agricultural policy, including ten years as the Director of the Tobacco and Peanuts Division of ASCS, the predecessor agency to FSA. During this time I have had the opportunity to work on the development of many policy issues relating to tobacco, including the some major legislative changes such as the No Net Cost legislation and Buyout of surplus loan stocks in the mid 1980s and early 1990s.

A Broad Effort

I can tell you that this Administration has worked long and hard to find the best way to develop a comprehensive approach to the health concerns, particularly as it relates to our youth and at the

same time recognize the importance of the farmers right to grow tobacco for adult use. For the first time, representatives of the Department of Agriculture and the Department of Health and Human Services got together as part of a task force, chaired by the President's domestic policy advisor, Bruce Reed, to hammer out a policy that will address the legitimate health concerns without hurting tobacco-growing communities.

This is the first time I have seen policy-makers at such a high level within any Administration get personally involved in seeking input from farmers, community leaders, tobacco organizations, warehouse owners--a truly grass roots look at the problem and solutions. Many of you here today have participated in the conference calls and meeting in the Old Executive Office Building and even in the West Wing of the White House. I'm proud of the results. I'm proud that we've been able to reach agreement on so many key points, and that we've been able to work with all parties,

including members of Congress, to develop policies that will look out for the interests of the our tobacco growers and their communities.

Administration's Pledge

So I want to reaffirm the President pledge to you in his Kentucky meeting:

"Before the Administration will sign off on any legislation, it will have to reflect the interests of growers."

We are not supporting legislation that would abolish the tobacco program, because we are committed to preserving the family farm, and also because we believe elimination of the program would not be in anyone's best interest.

Uncontrolled production would mean more tobacco grown at lower prices, which is going against our goals of making cigarettes expensive enough to discourage teens from smoking. And it would make growing tobacco uneconomical for the small farmers, putting

them at the mercy of the tobacco corporations, making them direct employees instead of independent businessmen. Either way you look at it, that's a step backward, not ahead.

LEAF ACT

The Long-Term Economic Assistance for Farmers (LEAF) Act, sponsored by Senator Ford and Hollings and included in S. 1415, contains critical protections for farmers and farming communities, to ensure that they are not adversely affected by comprehensive tobacco legislation.

The LEAF Act provides: (Read from Insert)

Provides Funding

Price Stabilization

Recognizes the difference between burley and flue-cured growers concerns and allows an optional buyout for burley and a mandatory buyout of quotas for flue-cured to be replaced with a

Permit to Grow system.

Contrast Lugar to LEAF. (Refer to Analysis)

We're supporting the provisions contained in Senators Ford's and Holling's proposed Long-term Economic Assistance for Farmers act, designed to maintain the price stabilization program, and limit the amount of tobacco grown in the United States.

We're supporting provisions allocating sufficient resources to help farmers and their communities adjust for reduced demand for tobacco: \$6 billion over the next three years and continued funding over the next 25 years. These funds would be used for payments for lost quota, economic development, a worker transition program, and assistance for higher educations. And some of those funds would go to giving farmers the options of having their quotas bought out.

But these measures, while necessary, are not the whole story. Just as important is addressing the potential for decline in the

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tobacco companies' domestic purchasing intentions, offshore manufacturing, and the implications these would have on domestic growers.

Domestic Content

Now, I know that some would like to go back to domestic content legislation as a solution. But as we know, that legislation was deemed inconsistent with our trade obligations. So this Administration took the initiative and invoked Article 28 of the General Agreement on Tariffs and Trade, and established the tariff rate quota. This had never been done before, and it was a risk--we didn't know if it would be allowed or not. But it paid off, and the tariff rate quota is now in place, giving growers a measure of protection from the importing of inferior overseas products.

Even so, we recognize there is a potential problem, because the manufacturers can avoid the full impact of the tariff through the use of imported tobacco for products manufactured for export. We've

seen an increase recently in loan stocks, to about 330 million pounds, and we want to make sure that the tobacco companies are playing fair with the tobacco growers, and not finding ways to cut them out. We are monitoring import levels very carefully, to see how soon import quotas are filled. If this becomes a problem, we will move to address it. If loan stocks get too high, we'll address that, as we've done in the past. We stand by our commitment to promote a fair and stable market, and we're supporting legislation to that end.

Close

Again, thank you for this opportunity to come home, spend some time with special friends, and say once again that we have heard your concerns and will continue to press for some resolution of this issues so as to bring stability to your markets as soon as possible.