Tobacco - fairness - Ford 5.11

FAX TRANSMISSION

SENATOR WENDELL H. FORD
173A RUSSELL SENATE BUILDING
WASHINGTON, D.C. 20510
202-224-4343

To: Tom FREEDMAN / MARY SMITH

Date: 3-27-98

Fax #:

Pages: 4 including cover sheet

From: ROB MANGAS

Subject:

COMMENTS:

p. 8.11
→ 90 p-85
p. 221-300

NEWS RELEASE
WENDELL H. FORD of KENTUCKY
UNITED STATES SENATE

173-A Russell Senate Office Building
Washington, D.C. - 202/224-4343

FOR IMMEDIATE RELEASE
March 27, 1998

Contact: Mark L. Day
(202) 224-1156

FORD MAKES MODIFICATIONS TO STRENGTHEN "LEAF ACT"; EXPECTS PROPOSAL TO BE IN PACKAGE FOR SENATE DEBATE

WASHINGTON-- Bringing together burley and flue-cured growers, U.S. Senator Wendell Ford (D-KY) today said he has made some modifications to his "LEAF Act" that will "solidify and broaden the support" necessary to have Congress pass the proposal.

With the Senate Commerce Committee set to begin marking-up the proposed tobacco settlement legislation next week, Ford said it was imperative to have the strongest broad-based farmer protection package ready for inclusion in the final bill.

Ford noted that he fully expects the Committee to include his proposal in legislation that will be debated on the Senate floor in the coming weeks.

"These modifications to the LEAF Act broaden and strengthen our support while still holding to the principles we've always fought for: maintaining the quota program, fair compensation for lost quota, and providing a safety net if the program is threatened or eliminated in the future, all while remaining fiscally realistic," Ford said.

The modified LEAF Act incorporates some changes in the flue-cured program as advocated by Senator Charles Robb (D-VA) and other flue-cured representatives, such as transferring quotas from inactive quota holders to actual producers.

For burley growers, the LEAF Act would allow a quota holder to relinquish their quota in exchange for $8/pound, payable over a period of ten years or less. Unlike a proposal by Senator Richard Lugar (R-IN), that quota could then be reallocated to a farm owned by a quota lessee or tenant if they were the principal producer of the tobacco.

Another modification would specifically earmark a portion of economic development funding for tobacco warehouse owners.

"I've listened very hard over the last several weeks to growers and have tried to incorporate every constructive idea, so long as it didn't run into unrealistic funding requirements.

their communities, while producing a package that can win Congressional approval. I think this is that package, and I'm going to do all I can to see that it becomes law," Ford said.

In addition to Ford, Senators Ernest Hollings (D-SC) and Bill Frist (R-TN), the other two tobacco-state members of the Senate Commerce Committee, are supporting the legislation.

###

Summary of Proposal

I. Payments to Farmers

- TYPES OF TOBACCO OTHER THAN FLUE-CURED
  - √ All quota holders given one-time option to relinquish quota and get $8 per pound over 10 years or less
  - √ Remaining quota holders get payments to the extent quota falls equal to $4 per pound for every pound quota drops, with a lifetime limit of $8 per pound times the entire quota (as under original LEAF Act)
  - √ Lessees and Tenants get (1) option to acquire relinquished quota (if any), and (2) payments to the extent quota falls equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the entire quota
- FLUE-CURED
  - √ Quota holders relinquish quota and get $8 per pound over 10 years or less
  - √ Active quota holders will be issued permits limiting right to produce future crops
  - √ Renters and Tenants get (1) permits limiting right to produce future crops, and (2) payments to the extent national quota falls equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the entire quota (as under LEAF Act)

II. Costs Incidental to the Program

All USDA costs associated with tobacco are paid out of a tobacco growers trust fund, including administrative costs, crop insurance, cooperative extension service costs, and any other costs, as calculated by the Secretary.

III. Farmer Opportunity Grants

Quota holders and active tobacco producers and their families are eligible for higher education grants of up to $1,700 per academic year, adjusted upward every five years by $300. Academic eligibility is modeled after Pell grants, and program is administered by the Secretary of Education.

IV. Benefits for Displaced Workers

Up to $25 million annually for 10 years will be made available to provide benefits based on the NAFTA displaced workers program. The program is administered by the Secretary of Labor.

V. Tobacco Community Economic Development Grants

Block grants to tobacco states will be made annually for rural business enterprise grants, farm ownership loans, initiatives which create farm and off-farm employment, expanding infrastructure, long-term business technical assistance, supplemental agricultural activities, value-added agricultural initiatives, and compensation to warehouse owners. At least 20% of funds must be spent on agricultural activities, 4% on long-term technical assistance, and 6% on warehouse owners.

VI. Total Costs

$2.1 bil. per year for the first ten years, $500 mil. for years 11-25, $28.5 bil. total.

Summary of LEAF Act Modifications

General:

1. **Base Years:** Base years upon which payments are made changed from 1994-96 to 1996-98.

2. **Funding:**

a. Annual payments to tobacco farmers raised to $1.65 billion from $1.6 billion. Total payments to farmers raised to $16.5 billion from $16 billion.

b. Economic Development grants set at $375 million minus administrative costs for first ten years; unchanged for years 11-25.

c. Assistance for dislocated workers set at $25 million annually for ten years.

3. **Optional Buyout:** For all types of tobacco other than flue-cured, quota holders are given a one-time optional buyout at $8 per pound, in exchange for relinquishing their quota. Payments will be made over a period of up to ten years, depending on (1) how many take a buyout, and (2) how far national quota falls. Remaining quota holders who stay in the program will be eligible for LEAF Act payments as under the original bill.

4. **Reallocation of quota:** For all types of tobacco other than flue-cured, when an optional buyout is taken, quota lessees or quota tenants who were the principal producer of tobacco under the quota will be given the option of having the quota reallocated to a farm they own. Otherwise, the quota is redistributed among remaining quota holders in the county (or in states with cross-county leasing like Tennessee, redistributed throughout the state.)

5. **Flue-cured permits.** All flue-cured quotas will be relinquished, in exchange for an $8 per pound payment over ten years. Inactive quota holders are out of the program. Active quota holders will be issued individual tobacco production permits. Quota renters or tenants who were principal producers of flue-cured tobacco during 1998 will also be issued individual tobacco production permits. Quota renters or tenants remain eligible for LEAF Act payments to the extent national quota declines. Permit holders must remain active producers to maintain permits. Permits may not be sold or leased, but may be transferred to descendants.

6. **Warehouse owners:** Six percent of economic development funding is earmarked for warehouse owners for ten years.

Technical:

1. Definition of "active tobacco producer" changed to "participating tobacco producer"
2. Dark tobacco poundage conversions to be based on actual farm yield, not county yield.
3. Funding for farmer payments divided between flue-cured and all other types of tobacco.
4. Reallocation of leased quotas where a tenant is the primary producer is split between quota lessee and quota tenant.
5. If the program is voted out by referendum, this does not trigger accelerated LEAF Act payments.
6. Flue-cured permit holder must invest at least 100 percent of the costs of production in the crop in order to be considered an "active" producer.
7. Flue-cured tobacco must still be grown in the same county under a permit as it was under previous quotas.
8. Flue-cured permits must be assigned to a farm within the same county.

Tob. Farm
Ford
— Lugar
Compromise.

- Three years of Title XV payments at Lugar levels
    - Short delay in its implementation

- Some additional community development money after buyout is complete

- End program

FORD-HOLLINGS AMENDMENT

Tobacco - Farmers - FORD

Purpose: To making technical and conforming changes to the LEAF Act

In the Committee Amendment offered by Mr. McCAIN, strike page 55, line 18 through page 55Z-15, and insert the following:

(1) On page 235, strike lines 12 through 18 and insert the following:

"(A) the sum of all national marketing quotas for all types of tobacco other than flue-cured tobacco during the 1995 through 1997 marketing years; bears to

(B) the sum of all national marketing quotas for all types of tobacco during the 1995 through 1997 marketing years."

(2) On page 251, strike lines 19 through 25 and insert the following:

"(A) the sum of all national marketing quotas for flue-cured tobacco during the 1995 through 1997 marketing years; bears to

(B) the sum of all national marketing quotas for all types of tobacco during the 1995 through 1997 marketing years."

(3) On page 252, line 5, insert "or (4)" after "(3)"

(4) Beginning on page 252, strike lines 11 through line 10 on page 254, and insert the following:

"(3) PAYMENTS FOR LOST FLUE-CURED TOBACCO QUOTA TO QUOTA HOLDERS THAT RELINQUISH QUOTA.–

"(A) IN GENERAL.–For each of fiscal years 1999 through 2008, the Secretary shall make annual payments for lost flue-cured tobacco to each quota holder that has relinquished the farm marketing quota or farm acreage allotment of the quota holder under paragraph (2).

"(B) AMOUNT.–The amount of a payment made to a quota holder described in paragraph (A) for a marketing year shall be equal to 1/10 of the lifetime limitation established under paragraph (6).

"(C) TIMING.–The Secretary shall begin making annual payments under this paragraph for the marketing year in which the farm marketing quota or farm acreage allotment is relinquished.

"(D) ADDITIONAL PAYMENTS.–The Secretary may increase annual payments under this paragraph in accordance with paragraph (7)(E) to the extent that funding is available.

"(4) PAYMENTS FOR LOST FLUE-CURED TOBACCO TO QUOTA LESSEES AND QUOTA TENANTS THAT ARE ISSUED NEW PERMITS UNDER SECTION 317A(b)(4) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938.–Except as otherwise provided in this subsection, during any marketing year in which the national marketing quota for flue-cured tobacco is less than the average national marketing quota for the 1995 through 1997 marketing years, the Secretary shall make payments for lost tobacco quota to each quota lessee or quota tenant that is eligible under subsection (b), and who has been issued an individual tobacco production permit under section 317A(b) of the Agricultural Adjustment Act of 1938 and has not exercised an option to relinquish such permit, in an amount that is equal to the product obtained by multiplying–

"(A) the number of pounds by which the individual marketing limitation established for such permit is less than the base quota level for the quota holder; and

"(B) $4 per pound.

"(5) PAYMENTS FOR LOST FLUE-CURED TOBACCO TO QUOTA LESSEES AND QUOTA TENANTS THAT HAVE RELINQUISHED PERMITS UNDER SECTION 317A(b)(5) OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938.–

"(A) IN GENERAL.–For each of fiscal years 1999 through 2008, the Secretary shall make annual payments for lost flue-cured tobacco to each quota lessee and quota tenant that has relinquished an individual tobacco production permit under section 317A(b)(5) of the Agricultural Adjustment Act of 1938.

"(B) AMOUNT.–The amount of a payment made to a quota holder described in paragraph (A) for a marketing year shall be equal to 1/10 of the lifetime limitation established under paragraph (6).

"(C) TIMING.–The Secretary shall begin making annual payments under this paragraph for the marketing year in which the individual tobacco production permit is relinquished.

"(D) ADDITIONAL PAYMENTS.–The Secretary may increase annual payments under this paragraph in accordance with paragraph (7)(E) to the extent that funding is available.

(5) On page 254, line 11, strike "(5)" and insert "(6)"

(6) On page 254, line 14, strike "quota renter" and insert "quota holder, quota lessee"

(7) On page 254, line 15, strike "quota renter" and insert "quota holder, quota lessee"

(8) On page 254, lines 17 and 18, strike "quota renter" and insert "quota holder, quota lessee"

(9) On page 255, line 6, strike "(12)" and insert "(9)"

(10) On page 255, line 8, strike "(3) and (4)" and insert "(3), (4), and (5)"

(11) On page 256, line 3, strike "QUOTA" and insert "QUOTAS OR PERMITS, OR TO QUOTA LESSEES OR QUOTA TENANTS RELINQUISHING PERMITS"

(12) On page 256, line 5, strike "(3) and (4)" and insert "(3), (4), and (5)"

(13) On page 256, line 9, strike "(3) and (4)" and insert (3) and (5)"

(14) On page 256, strike lines 10 through 18

(15) On page 256, strike lines 19 through 21 and insert the following:

"(8) DEATH OF QUOTA HOLDER, QUOTA LESSEE OR QUOTA TENANT.--If a quota holder, quota lessee or quota tenant that is entitled to payments under paragraph (4) or (5) dies and is"

(16) On page 257, lines 6 and 7, strike "(3) and (4)" and insert "(3), (4), and (5)"

(17) On page 258, lines 23 and 24, strike "paragraphs (3) and (5)" and insert "paragraph (6)"

(18) Strike all of page 262 and insert the following:

"retary shall allot to each State an amount that bears the same ratio to the amounts available as the total farm income of the State derived from the production of tobacco during the 1995 through 1997 marketing years (as determined under paragraph (2)) bears to the total farm income of all States derived from the production of tobacco during the 1995 through 1997 marketing years.

"(2) TOBACCO INCOME.--For the 1995 through 1997 marketing years, the Secretary shall determine the amount of farm income derived from the production of tobacco in each State and in all States.

"(d) PAYMENTS.--

"(1) IN GENERAL.-- A State that has an application approved by the Secretary under subsection (b) shall be entitled to a payment under this section in an amount that is equal to its allotment under subsection (c).

"(2) FORM OF PAYMENTS.--The Secretary may make payments under this section to a State in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments, as the Secretary may determine."

(19) On page 276, after line 20, insert the following new paragraph:

"(5) OPTION OF QUOTA LESSEE OR QUOTA TENANT TO RELINQUISH PERMIT.--

"(A) IN GENERAL.--Each quota lessee or quota tenant issued an individual tobacco production permit under paragraph (4) shall be given the option of relinquishing such permit in exchange for payments made under section 1021(e)(5) of the Long-term Economic Assistance Act.

"(B) NOTIFICATION.--A quota lessee or quota tenant that is issued an individual tobacco production permit shall give notification of the intention to exercise the option at such time and in such manner as the Secretary may require, but in no event later than 30 days after such permit is issued.

"(C) REALLOCATION OF PERMIT.--The Secretary shall reapportion the individual tobacco production permit among the remaining permit holders for flue-cured tobacco within the same county.

(20) On page 276, line 21, strike "(5)" and insert "(6)"

(21) On page 278, line 9, strike "(6)" and insert "(7)"

(22) Strike "1996, 1997 or 1998" and insert "1995, 1996, or 1997" in the following places:

Page 222, line 11
Page 222, line 20
Page 222, line 26
Page 223, line 9

(23) Strike "1998" and insert "1997" in the following places:

Page 231, line 10
Page 237, line 17
Page 241, line 14
Page 273, line 10
Page 273, line 17
Page 274, line 2
Page 274, line 8
Page 274, line 22
Page 275, line 8
Page 275, line 22
Page 276, line 1
Page 276, line 5
Page 278, line 14
Page 279, line 5

(24) Strike "1996 through 1998" and insert "1995 through 1997" in the following places:

Page 232, lines 4 and 5
Page 232, lines 9 and 10
Page 232, line 15
Page 233, line 5
Page 233, lines 12 and 13
Page 234, lines 8 and 9
Page 234, lines 21 and 22
Page 242, lines 3 and 4
Page 243, line 21
Page 244, line 4

(25) On page 265, line 6, strike "1994 through 1996" and insert "1995 through 1997"

(26) On page 225, lines 5 and 6, strike "national tobacco settlement legislation" and insert "National Tobacco Settlement Trust Fund"

(27) On page 226, line 12, strike "11" and "12" and insert "12" and "9", respectively

(28) On page 254, line 20, strike "6" and insert "7"