Dec. 22, '98

Dear Tom,

Please know that we are thinking of you and supporting you and the President.

One of the great parts of this strange year was meeting you and knowing of your intellect and hard work.

Thought you might enjoy this poem by Wendell Berry - his father established our coop. Respectfully,

Sara Armstrong Cummings

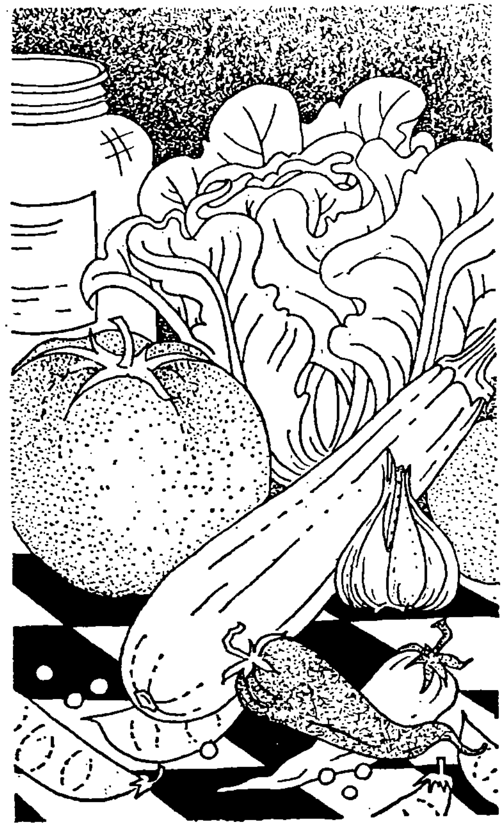

Illustration is from THE FARM by Wendell Berry.
Larkspur Press, Monterey, Kentucky

Fax Cover Sheet
From the Offices of...

C ~ G ~ C

Commodity Growers Cooperative Association

620 S. Broadway, Suite 209
Lexington, KY 40508
ph: 606-233-7845 fax: 606-252-9255
email: cgrowers@uky.campus.mci

DATE: 1/21/99

TO: Tom Freedman, Domestic Policy Council

FAX: 202-456-7431 PHONE: 202-456-5587

FROM: Karen Armstrong-Cummings, Director

PAGES: 3 (including cover sheet)

COMMENTS:

Hope you're doing well - didn't know if you saw this from our local paper

Karen

Please call immediately if your office does not receive all pages as indicated. Please deliver only to the person(s) named above; this is a confidential correspondence intended only for transmittal to the person named above.

April 7, 1998 (Draft)

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
ELENA KAGAN
TOM FREEDMAN

SUBJECT: KENTUCKY TRIP AND MEETINGS WITH TOBACCO FARMERS

On Thursday, April 9, you will travel to Carrollton, Kentucky to meet with tobacco farmers, community leaders, and children. During this trip, you will reaffirm your commitment to protect tobacco farmers and their communities, while also emphasizing the need to reduce youth smoking. The trip will also allow you to express support for a plan to protect tobacco farmers authored by Senator Ford that is included in Senator McCain's legislation.

Structure of the Trip

You will first travel to a tobacco warehouse where you will hold a round table discussion on how to protect farmers and their communities. The participants in the discussion are expected to be a local farmer, a farmer who represents growers statewide and has worked well with the Campaign for Tobacco Free Kids, a minority farmer who has raised many foster children using her revenue from tobacco, the owner of the warehouse you are visiting, a student who wants to be a farmer, the head of the state farm bureau, a local religious leader, and a community activist who has helped bring farmers and health advocates together. Secretary Glickman will also participate on the panel, and Governor Patton and Senator Ford will be present but speak at the second event.

After the roundtable, you will travel to a school where you will address students and reinforce the message of reducing youth smoking.

Background on Kentucky Tobacco Farmers

There are two main types of tobacco, flue-cured and burley. Burley tobacco is the primary crop in Kentucky, with revenues of more than $1 billion in 1997 for the 696,485,163 pounds grown. In 1997, approximately 70 percent of the burley tobacco produced in the United States came from Kentucky. The majority of burley tobacco producers in Kentucky favor continuation of the federal price support program.

Many Kentucky tobacco farms are very small. The average Kentucky tobacco farm plants only 4.5 acres of tobacco, while Alabama averages 23.9 acres of tobacco per farm, and South

Carolina averages 25.5 acres per farm. However, large farms dominate Kentucky's burley tobacco business. Last year, 70 percent of the total burley sold came from only 26 percent of the farms.

Tobacco is a major part of the Kentucky economy. Tobacco sales account for nearly 30 percent of the total crop revenue for Kentucky. Nearly $4 billion is generated annually from the production and sale of tobacco.

Tobacco Program Background

Since the 1930s, tobacco prices have been supported and stabilized by the federal government's commodity support program. The tobacco program operates through a combination of marketing quotas, which limit supply, and no-net-cost tobacco loans, which help to balance supply with demand.

Most tobacco produced in the United States is under the federal price support-production control program. The tobacco program operates under permanent legislation, and does not have to be renewed by 5- or 7-year Farm Bills. In spite of the controversy surrounding the federal program and opponents who would like to abolish it, tobacco-state members of Congress have been able to obtain permanent legislation. However, numerous changes have been made to the program through amendments to Farm Bills or other legislation. The most notable is the No-Net-Cost Tobacco Program Act of 1982, which requires the tobacco price support program to operate at no-net-cost to taxpayers. This program is currently under additional criticism as Congress acts on the tobacco settlement.

The program basically keeps prices up by limiting supply through quotas. The government determines each year how much tobacco the companies expect to buy and how much will be sold overseas, and then divides up the right to grow that amount among the quota holders. A price-support system ensures that farmers get an acceptable price even when the companies buy less than they said that they would.

The settlement agreement with the Attorneys General did not outline a plan to compensate farmers for the diminished domestic tobacco sales that might result from comprehensive legislation. You, however, made protecting tobacco farmers and their communities one of the five key elements of his plan for comprehensive tobacco legislation.

- Producers of different kinds of tobacco vote in triennial referenda to determine if they wish to continue the federal tobacco program for their kind of tobacco.

- In a referendum in late February, 97.5 percent of burley producers voted to continue the price support-production control program.

Legislative Background

Last week, the Senate Commerce Committee voted 19-1 in favor of the comprehensive tobacco legislation. Senators Lott and McCain indicated that the bill probably will go to the floor during the week of May 18.

Previously, three types of legislative approaches have been discussed. First, Senator Lugar proposed legislation that would quickly "buy-out" quota owners from the governmental system at approximately $8 a pound. In Senator Lugar's plan, tobacco prices would then be subject to the free market. Second, Senator Ford proposed legislation that would maintain the current quota system, while also compensating farmers (up to $8 per pound) for the difference between the prices they would have enjoyed without legislation and the diminished prices they may experience. Senator Ford's bill also includes a $500 million a year transition fund for communities. Finally, Senator Robb had proposed legislation that would combine elements of both of the above approaches. He sought to buy-out farmers, but replace the quota system with a production control system based on licenses. Unlike quotas, licenses would be given only to those who actually grew tobacco and could not be bought or rented.

Senator Ford's proposal, the LEAF Act, appealed mostly to burley growers like those in Kentucky who have small farms and want to continue the quota program. Senator Robb's approach gained some support from flue-cured farmers (based mainly in North Carolina, South Carolina and Virginia) who believe the buy-out and license system better fits more capital-intensive flue-cured production. Senator Lugar's approach has not attracted widespread support; even tobacco-state senators like McConnell who philosophically favor this approach probably will not come out for it publicly.

Farmers' Legislation Included in McCain Tobacco Bill

Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a broad-based farmer package in the McCain comprehensive tobacco legislation. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at $8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the extent that quota prices decline. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new no-cost permits to active producers, regardless of whether they previously held a quota. This transferring of quotas from inactive quota holders to actual producers was part of the Senator Robb's proposal and is intended to make it possible for active farmers to sell tobacco without the cost of buying or renting quota. The McCain package also provides apprximately $500 million for assistance to tobacco-producing communities. The package costs $2.1 billion per year for the first ten years and $500 million for years 11-25 for a total of $28.5 billion. For the most part, tobacco farmers are very pleased with the proposal included in the McCain legislation.

Below is a table with the major provisions for tobacco farmers in the McCain legislation.

Payments to Tobacco Farmers Under Proposed Legislation		
	Burley, fire-cured, and dark air-cured tobaccos	**Flue-cured tobacco**
Buy-out	Optional one-time buy-out at $8/lb over 10 yrs or less	Mandatory buy-out of all quota holders at $8/lb over 10 yrs or less
Those who remain in program --quota or permit	Those who do not take the optional buy-out retain their existing quota	Active producers will be issued a permit at no cost -- changing the old quota system to a new permit system for flue-cured, and allowing only active producers stay in program
Payments to remaining quota holders who remain in system	Remaining quota holders get payments to the extent quota falls equal to $4/lb for every pound quota drops, with a lifetime limit of $8/lb times the entire quota	No remaining quota holders
Lessees (Burley), Renters (Flu-cured), and tenants (essentially sublessees)	Lessees and tenants get (1) option to acquire relinquished quota (if any), and (2) payments to the extent quota falls equal to $2/lb for every pound quota drops, with a lifetime limit of $4/lb times the entire quota	Renters and tenants get (1) permits limiting right to produce future crops, and (2) payments to the extent national quota falls equal to $2/lb for every pound quota drops, with a lifetime limit of $4/lb times the entire quota

Other Provisions:

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-farms employment, expanding infrastructure, long-term business technical assistance, supplemental agricultural activities, value-added agricultural initiatives, and compensation to warehouse owners. The program is wuthorized for $375 million. At least 20 percent of the funds must be spent on agricultural activities, 4 percent on long-term technical assistance, and 6 percent on warehouse owners.

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

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 the program is administered by the Secretary of Education.

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.

Total Costs: $2.1 billion per year for the first ten years, $500 million for years 11-25, for a total of $28.5 billion.

- Annual payments to tobacco farmers set at $1.65 billion.
- Economic development grants set at $375 million less administrative costs for first ten years.
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Secretary Glickman's Trip to Kentucky

Last Friday, on April 3, Secretary Glickman and Tom Freedman traveled to Lexington, Kentucky to attend a Farm Forum at Gentry Tobacco Warehouse with 600 to 700 farmers, government officials, and agribusiness leaders. The farmers were generally supportive of the Administration. Their main concerns were that the tobacco program be kept in place and that small farmers not be adversely affected.

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

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Tobacco - [illegible] - memos

April 7, 1998 (Draft)

MEMORANDUM FOR THE PRESIDENT

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ELENA KAGAN
TOM FREEDMAN

SUBJECT: KENTUCKY TRIP AND ROUNDTABLE WITH TOBACCO FARMERS

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Many Kentucky tobacco farms are very small. The average Kentucky tobacco farm plants only 4.5 acres of burley tobacco. In contrast, flue-cured tobacco farms in North Carolina and

South Carolina average 16.1 and 25.5 acres of tobacco per farm, respectively. However, large farms dominate Kentucky's burley tobacco business. Last year, 70 percent of the total burley sold came from only 26 percent of the farms.

Tobacco is a major part of the Kentucky economy. Tobacco sales account for over 40 percent of the total crop revenue for Kentucky, and over 20 percent of all agricultural sales in Kentucky.

According to USDA, Kentucky experienced an abnormal year for their 1997 burley tobacco crop. Adverse weather conditions resulted in tobacco with high moisture content that was of a generally low quality and received a lower prices than expected.

Tobacco Program Background

Since the 1930s, tobacco prices have been supported and stabilized by the federal government's commodity support program. One part of the program involves limiting supply through a quota program. A quota entitles the owner to grow a certain percentage of the national supply of tobacco for that year. Under the quota program, the government determines each year how much tobacco the companies expect to buy, how much will be sold overseas plus a modest reserve, and then divides up the right to grow that full amount among the quota holders. The burley quota can be sold, rented or leased. In addition, the tobacco program guarantees an acceptable price at which farmers can sell their tobacco. The price-support system ensures that farmers can sell tobacco at a statutory minimum price to their cooperatives if companies cease to buy on the open market. In this program, the government loans funds to the cooperatives to purchase tobacco, which are repaid from the proceeds of future sales.

Producers of the different kinds of tobacco vote in triennial referenda to determine if they wish to continue the federal tobacco program for their kind of tobacco. In a referendum in late February, 97.5 percent of burley producers voted to continue the price support-production control program.

The AG's Settlement Agreement

The settlement agreement with the Attorneys General did not outline a plan to compensate farmers for the diminished domestic tobacco sales that might result from comprehensive legislation. You, however, made protecting tobacco farmers and their communities one of the five key elements of your plan for comprehensive tobacco legislation.

Legislative Background

Three types of legislative approaches for farmers have been discussed. First, Senator Lugar proposed legislation that would quickly "buy-out" quota owners from the governmental system at approximately $8 a pound. In Senator Lugar's plan, tobacco prices would then be subject to the free market. Second, Senator Ford proposed legislation that would maintain the current quota system, while also compensating farmers (up to $8 per pound) for the difference between the prices they would have enjoyed without legislation and the diminished prices they may experience. Senator Ford's bill also includes transition fund for communities. Finally, Senator Robb had proposed legislation that would combine elements of both of the above approaches. He sought to buy-out farmers, but replace the quota system with a production control system based on permits. Unlike quotas, permits would be given only to those who actually grew tobacco and could not be bought or rented.

Senator Ford's proposal, the LEAF Act, appealed mostly to burley growers like those in Kentucky who have small farms and want to continue the quota program. Senator Robb's approach gained some support from flue-cured farmers (based mainly in North Carolina, South Carolina and Virginia) who believe the buy-out and license system better fits more capital-intensive flue-cured production. Senator Lugar's approach has not attracted widespread support; even tobacco-state senators like McConnell who philosophically favor this approach probably will not come out for it publicly.

Farmers' Legislation Included in McCain Tobacco Bill

Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a generous farmer provision in the McCain tobacco legislation. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at $8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the extent that base quota declines. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new no-cost permits to active producers, regardless of whether they previously held a quota. This transferring of quotas from inactive quota holders to actual producers was part of the Senator Robb's proposal and is intended to make it possible for active farmers to sell tobacco without incurring the cost of buying or renting quota. The McCain package also provides approximately $500 million for assistance to tobacco-producing communities. The package costs $2.1 billion per year for the first ten years and $500 million for years 11-25 for a total of $28.5 billion. For the most part, tobacco farmers are very pleased with the proposal included in the McCain legislation.

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THE TOBACCO PROGRAM

ISSUE:

Most tobacco produced in the United States is under the Federal price support-production control program. The tobacco program operates under permanent legislation, and does not have to be renewed by 5- or 7- year Farm Bills.

IMPORTANCE:

Tobacco provides $3 billion in income annually to producers. The price support-production control program stabilizes production and income for small and large producers.

TALKING POINTS:

- Producers of different kinds of tobacco vote in triennial referenda to determine if they wish to continue the Federal tobacco program for their kind of tobacco.
- In a referendum in late February, 97.5 percent of burley producers voted to continue the price support-production control program, as they have for many years.
- In 1997, over 600 million pounds of burley tobacco was produced in the United States - 70 percent in Kentucky.
- Including sales from fire-cured and dark air-cured tobacco, Kentucky tobacco producers received over $800 million from the 1997 crop. Tobacco sales represent over 40 percent of crop sales receipts and over 20 percent of all agricultural sales in Kentucky.

BACKGROUND:

In spite of the controversy surrounding the Federal program, tobacco-state congressmen were able to obtain permanent legislation. However, numerous changes have been made to the program via amendments to Farm Bills or other legislation. The most notable is the No-Net-Cost Tobacco Program Act of 1982, which requires the tobacco price support program to operate at no-net-cost to taxpayers. This program is currently under additional criticism as the Congress acts on the tobacco settlement.

SUMMARY:

The Federal tobacco program is under permanent legislation, which has provided production and income stability for tobacco producers since the late 1930's. Tobacco is a key source of income for several states, especially Kentucky.

CONTACT: Verner Grise, Tobacco and Peanuts Division, FSA 202-720-5291; home 703-354-1887

FARM AND FOREIGN AGRICULTURAL SERVICES

ISSUE:

Proposed provisions to help tobacco farmers in the Ford Bill ("Leaf Act") section of the McCain Bill in relation to the proposed National Tobacco Settlement.

DISCUSSION:

The tobacco settlement will have a wide reaching impact on all segments of the tobacco industry, but a disproportionate effect on small and minority tobacco quota owners and producers. Of the 338,000 individual tobaccos quotas nationwide, nearly 66 percent are considered small farm operations. Five percent of all quotas are owned by minorities, the majority of which run small and family-sized operations. If a settlement is reached, cigarette prices would increase sharply because of manufacturer payments or increased taxes, and tobacco production would decline with a concomitant reduction in income. Limited resource farms would be especially vulnerable because of their already low level of income and significant dependence on tobacco as a source of family income.

BACKGROUND:

Several bills have been introduced to compensate tobacco quota holders and producers for the reduced income resulting from a tobacco settlement. The three bills that received the most attention were the Ford Bill (as known as the Leaf Act), the Lugar Bill, and the Robb Bill. The Leaf Act would continue the current program with payments for lost production, the Lugar Bill would buy out quotas and eliminate the current program, and the Robb Bill would shift the program from a Federal to privatized program. The tobacco farm leadership has adopted the Ford Bill/Leaf Act as a model and incorporated some provisions of the Robb Bill, especially for flue-cured tobacco.

The Ford Bill has been incorporated in the McCain Bill (S.1415) as the farmer portion of the McCain Bill. On April 1, the Senate Commerce Committee approved the bill, 19 to 1, and Senator McCain said he hoped the Bill would be before the full Senate before Memorial Day. A few modifications were made during the markup, but the thrust of the farmer portion of the Ford Bill remained intact.

TALKING POINTS:

As we understand the current compromise, the following are the main points included in the farmer portion of the McCain Bill:

- **Payments to Farmers for:**

  - **Burley, fire-cured, and dark air-cured tobaccos** - (in Kentucky, more than 95 percent of the quotas are for burley tobacco).

    - All quota holders given a one-time option to relinquish quota and get $8.00 per pound over 10 years or less.

    - Remaining quota holders get payments to the extent quota falls below the base level equal to $4 per pound for every pound quota drops, with a lifetime limit of $8 per pound times the entire base quota.

    - Quota lessees and tenants get (1) option to acquire relinquished quota and (2) payments to the extent quota falls below the base level equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the base quota.

  - **Flue-cured tobacco** - (Not produced in KY, but produced in NC, SC, GA, FL, VA, and AL)

    - All 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.

    - Quota renters and tenants get (1) permits limiting right to produce future crops and (2) payments to the extent national quota falls below the base level equal to $2 per pound for every pound quota drops, with a lifetime limit of $4 per pound times the entire base quota.

- **Base Quota Years** - Years upon which payments will be based are the average of 1996 through 1998 crop years.

  - Burley - base quota 657 million pounds.

  - Flue-cured - base quota 885 million pounds.

- **Costs Incidental to the Tobacco 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 of Agriculture.

- **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.

- **Benefits for Displaced Workers** - Up to $25 million annually for 10 years will be made available to provide benefits for displaced workers program. The program is administered by the Secretary of Labor.

- **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 auction warehouse owners.

- **Total Costs of the Farmer Portion of the McCain Bill** - $28.5 billion total over 25 years, $2.1 billion per year for the first ten years, $500 million for years 11-25.

  - Annual payments to tobacco farmers set at $1.65 billion for up to ten years.

  - Economic development grants set at $375 million minus administrative costs for first ten years. Six percent of economic development funding is earmarked for auction warehouse owners for ten years.

- **Total Cost to Industry/Cigarette Price Increase** -

  - Total cost to tobacco manufacturers over the 25 year period are projected to be $506 billion.

  - An increase in cigarette prices of $1.10 per pack over five years was anticipated. However, in the markup of the Bill, more than half --65 cents per pack would become effective in 1999.

  - The 65 cent increase would result in a more abrupt drop in cigarette consumption and thus demand for U.S. grown leaf than originally anticipated.

  - Consumption would fall nine to ten percent because of the 65 cent cigarette price increase. Demand for U.S. flue-cured and burley would decline by a similar amount or even more as manufacturers attempted to trim costs by using greater quantities of cheaper imported leaf.

- **Other Provisions of the McCain Bill -**
  - Civil liabilities damages capped at $6.5 billion per year.
  - Marketing and advertising would be curtailed considerably.
  - Goals of reducing youth smoking of 15 percent in three years and 45 percent in 10 years were established.
  - The Food and Drug Administration would be given broad latitude in regulating tobacco products.

HIGHLIGHTS OF KENTUCKY TOBACCO FARMER SURVEY

A new survey of 400 Kentucky tobacco farmers shows strong support for provisions of a national tobacco plan to discourage tobacco use by young people and to provide assistance to tobacco-dependent communities. While most of the farmers would prefer to continue growing tobacco as they have for years under the current tobacco program, they express some uncertainty about the future of tobacco farming and are therefore willing to explore alternatives. The farmers surveyed also question how concerned the tobacco companies are about the well-being of tobacco farmers.

Support for National Tobacco Control Measures

Almost three-fourths of Kentucky tobacco farmers support establishing a national minimum age of eighteen for buying tobacco products, with the requirement that retailers check identification of all young buyers. Just 15 percent oppose this provision as part of a national tobacco policy. Sixty-four percent support prohibiting tobacco companies from marketing or advertising to children, with just 22 percent opposed.

The farmers are also want consumers to know what is in tobacco products. Eighty-three percent support a requirement that tobacco companies provide accurate information about the ingredients of their products.

The tobacco farmers clearly believe they should be part of any national tobacco policy. Nearly three-fourths (73%) of those surveyed say a national tobacco policy should provide economic development assistance to tobacco-dependent communities. Sixty-eight percent support allocating a portion of revenues from a federal excise tax on tobacco products to tobacco-dependent communities.

This level of support for public health measures is somewhat surprising given that large majorities of the farmers surveyed agree that health groups (84%) and restrictions on smoking (76%) are a threat to tobacco farmers.

Opinions on the Tobacco Program

While most Kentucky tobacco farmers (82%) agree Congress should leave the tobacco program alone, a majority (59%) believe the program will be eliminated within the next five years. Thus, it is not surprising that just 41 percent of the farmers surveyed say it is very likely that they or someone in their family will be growing tobacco on their farm in ten years; another 19 percent say it is somewhat likely. Fifty-nine (59%) say that if they had children, they would encourage them to grow tobacco.

This uncertainty about the tobacco program leads 57 percent of Kentucky tobacco farmers to favor a voluntary buyout, where they could either decide to keep their quota or sell it. Another 7 percent support a mandatory buyout that would end the current quota and price support system for everyone. About one-fourth (27%) oppose a burley buyout of any kind, saying the current program should be maintained. When asked what a fair buyout price would be, the median response was $12, although almost 20 percent offered no response.

Forty-eight percent of the tobacco farmers said they are very (16%) or somewhat (31%) interested in trying additional non-tobacco activities on their farms. Forty-three percent said they are somewhat (8%) or very (35%) uninterested. Reflecting this split, 43 percent said they would use money from a buyout to expand or diversify their farming operation. The most popular uses of the funds were to invest in a savings or retirement plan (71%) and pay off debts (69%).

Opinions of Tobacco Companies

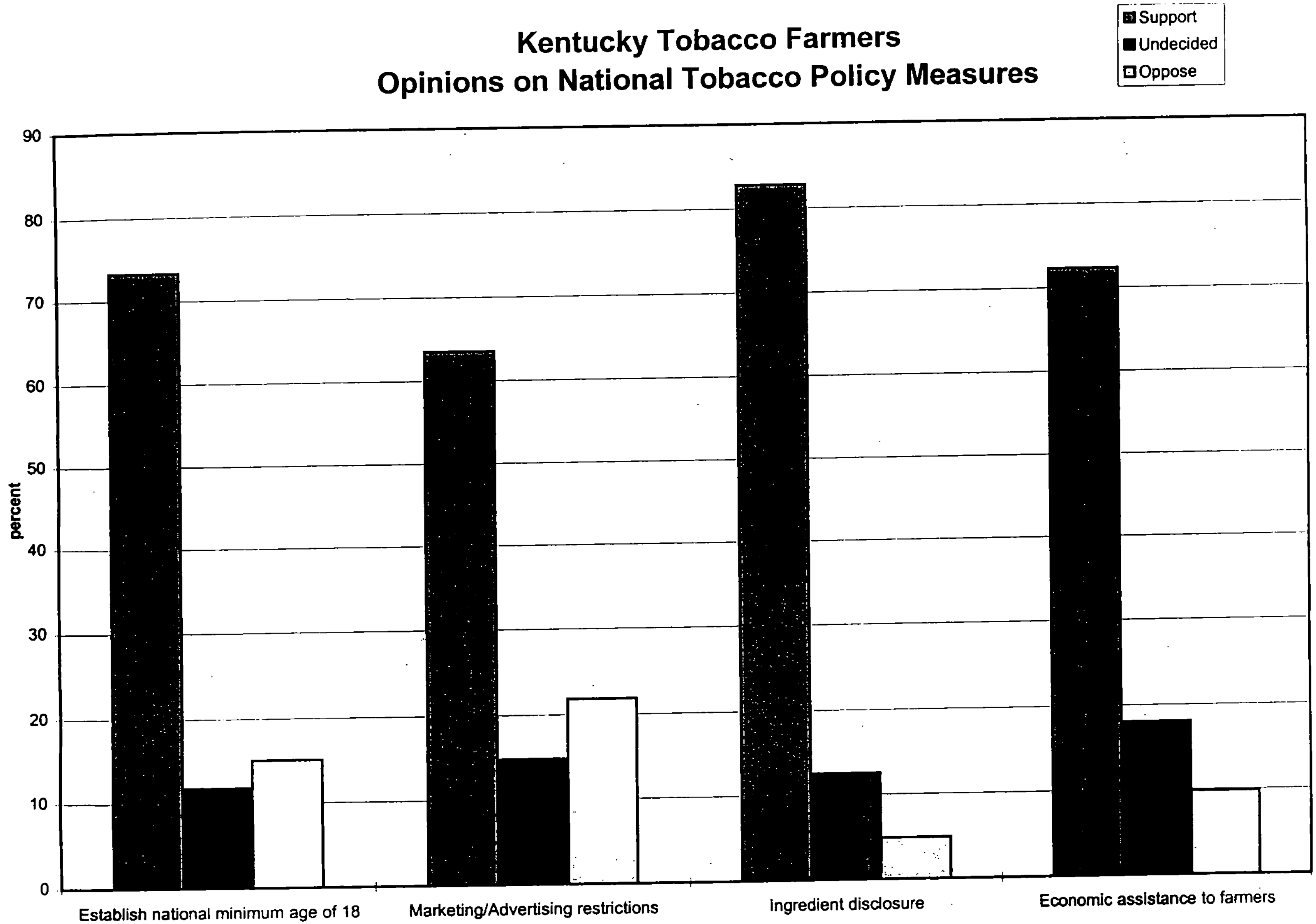
The uncertainty on the part of tobacco farmers about the future of the enterprise may reflect, in part, their apparent ambivalence toward the tobacco companies. One-half of those surveyed disagree strongly (32%) or somewhat (18%) that tobacco companies are concerned about the well-being of tobacco farmers, while 41 percent agree strongly (19%) or somewhat (23%) that the tobacco companies are concerned about them.

Fifty-nine percent of the tobacco farmers agree that if tobacco companies do well, tobacco farmers do well. Thirty-seven percent disagree with this assertion.

The Survey

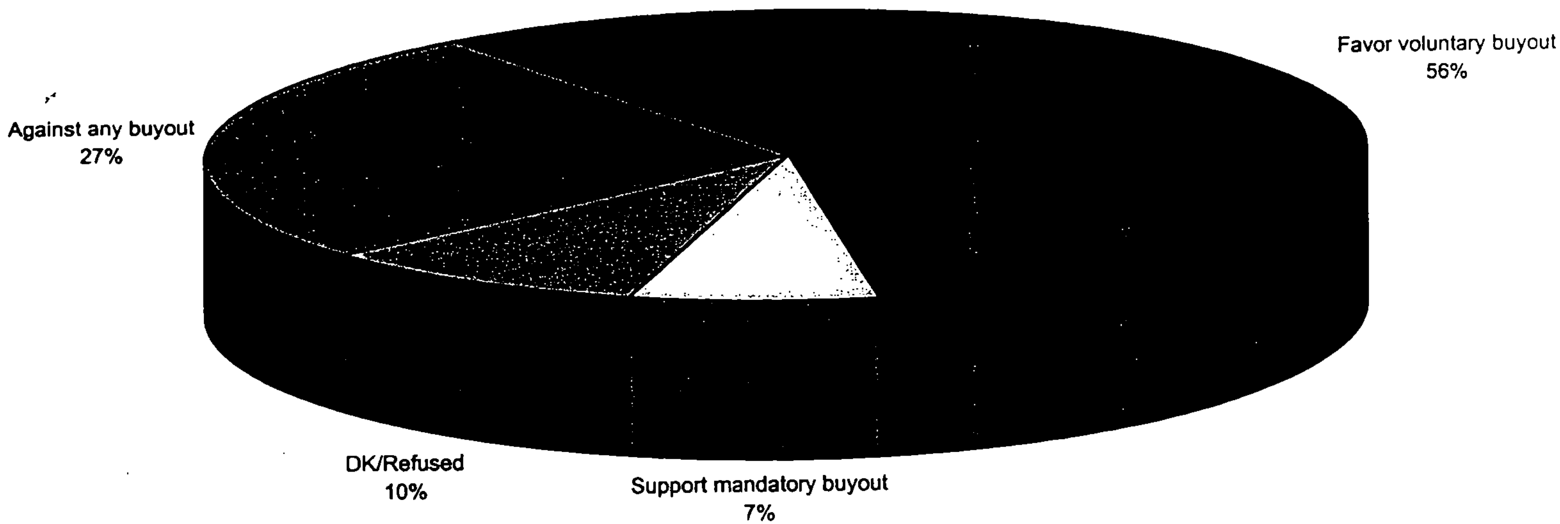
The telephone survey of 400 Kentucky tobacco farmers was a cooperative effort between the Campaign for Tobacco-Free Kids and the Kentucky Health and Agriculture Forum. It was conducted by Global Strategies, Inc. with a random sample of burley quota holders from a list provided by the United States Department of Agriculture. Qualified respondents live in the state of Kentucky and have an effective burley quota of 2200 pounds (roughly one acre) or more. The sample of 400 has a margin of error of plus or minus 4.9 percentage points.

Kentucky Tobacco Farmers
Opinions on National Tobacco Policy Measures



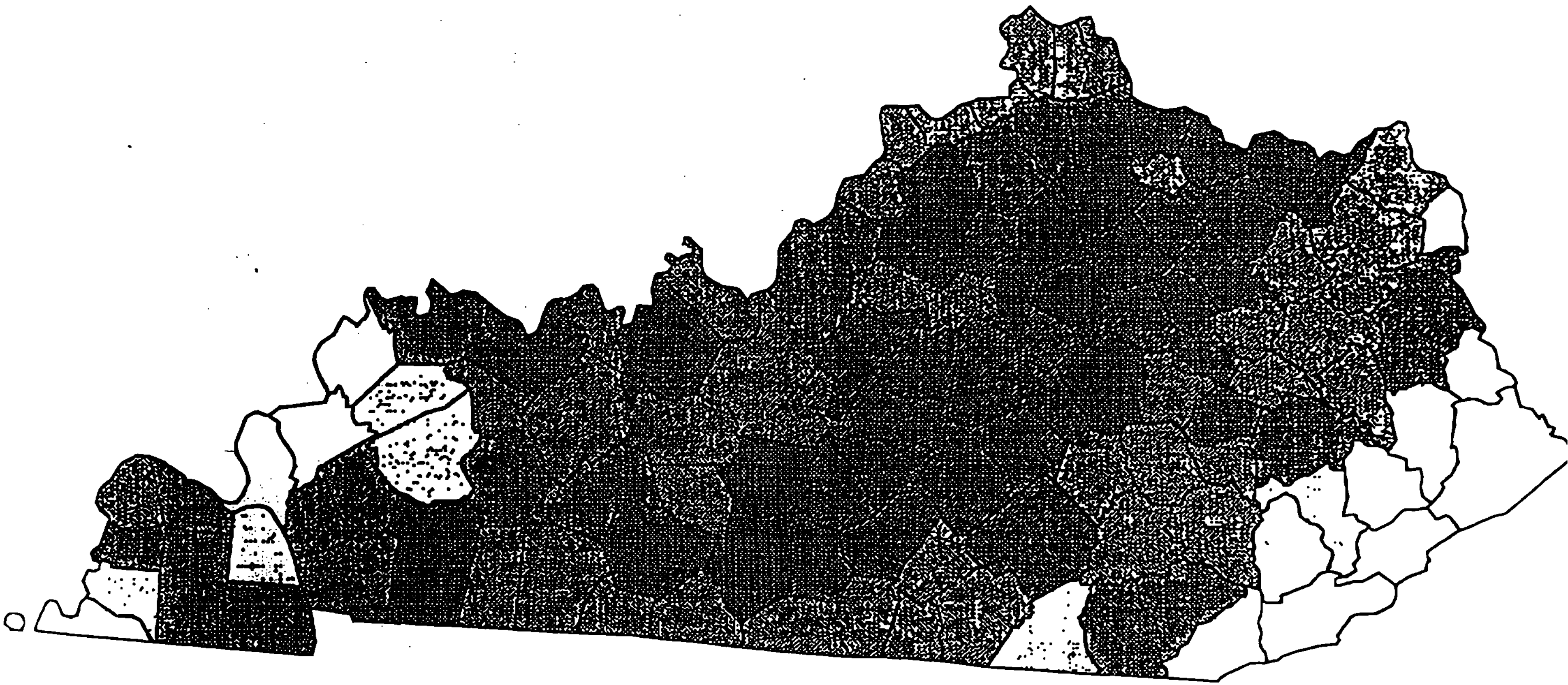
Campaign for Tobacco-Free Kids survey of 400 Kentucky Tobacco Farmers, February 1998

Kentucky Farmers' Opinions on a Burley buyout



Campaign for Tobacco-Free Kids survey of 400 Kentucky Tobacco Farmers, February 1998

1997 Burley Quota - Kentucky



KY Quota (Pounds)
- Up to 50,000 Lbs
- 50,001 - 100,000 Lbs
- 100,001 - 500,000 Lbs
- 500,001 - 1,500,000
- 1,500,001 - 5,000,000 Lbs
- 5,000,001 - 10,000,000 Lbs
- 10,000,001 and over
- No Burley Quota

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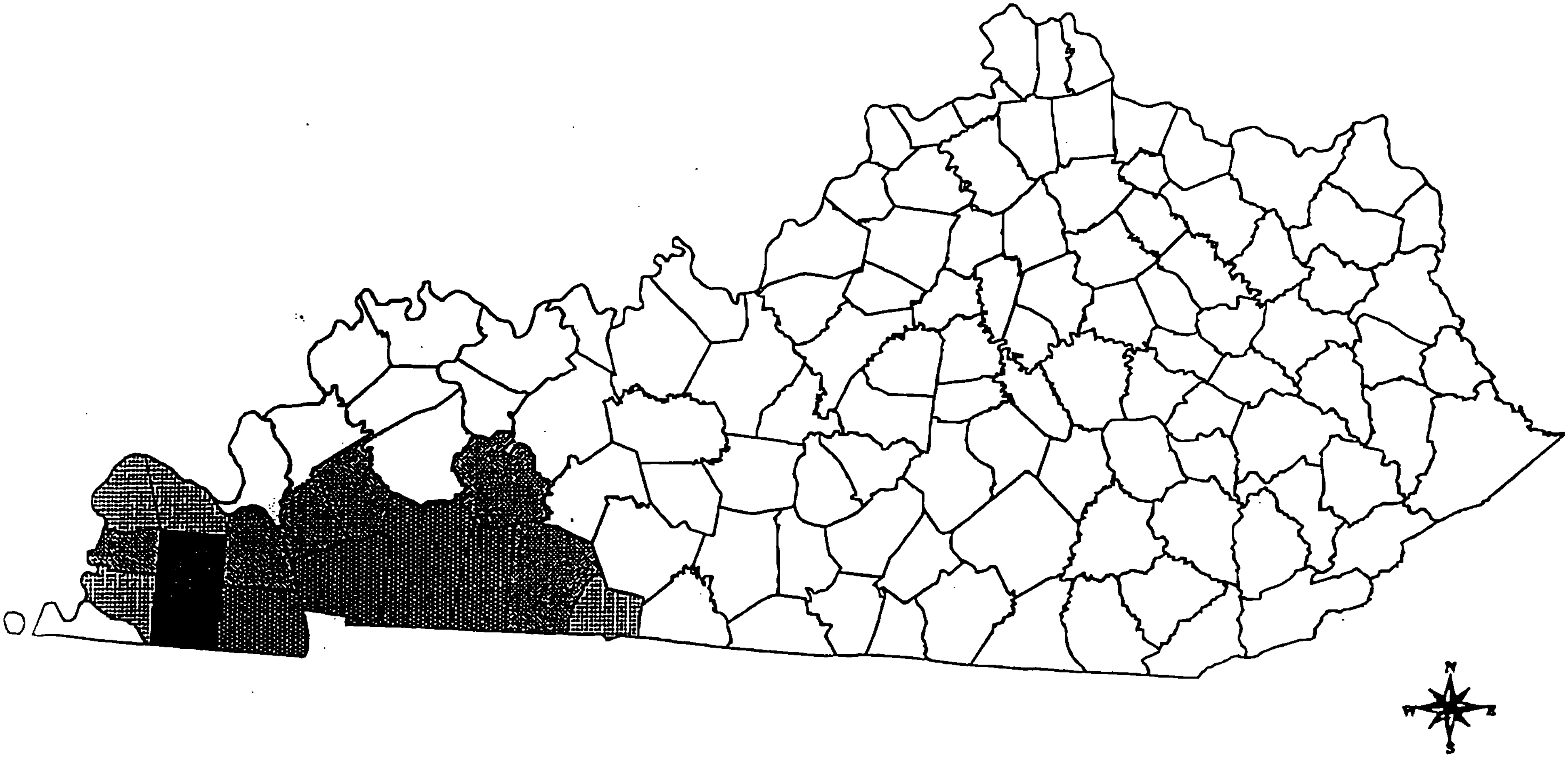
Prepared by
Farm Service Agency

March 6, 1998

USDA

1997 Fire-Cured (Types 22-24) Tobacco Pounds
Kentucky



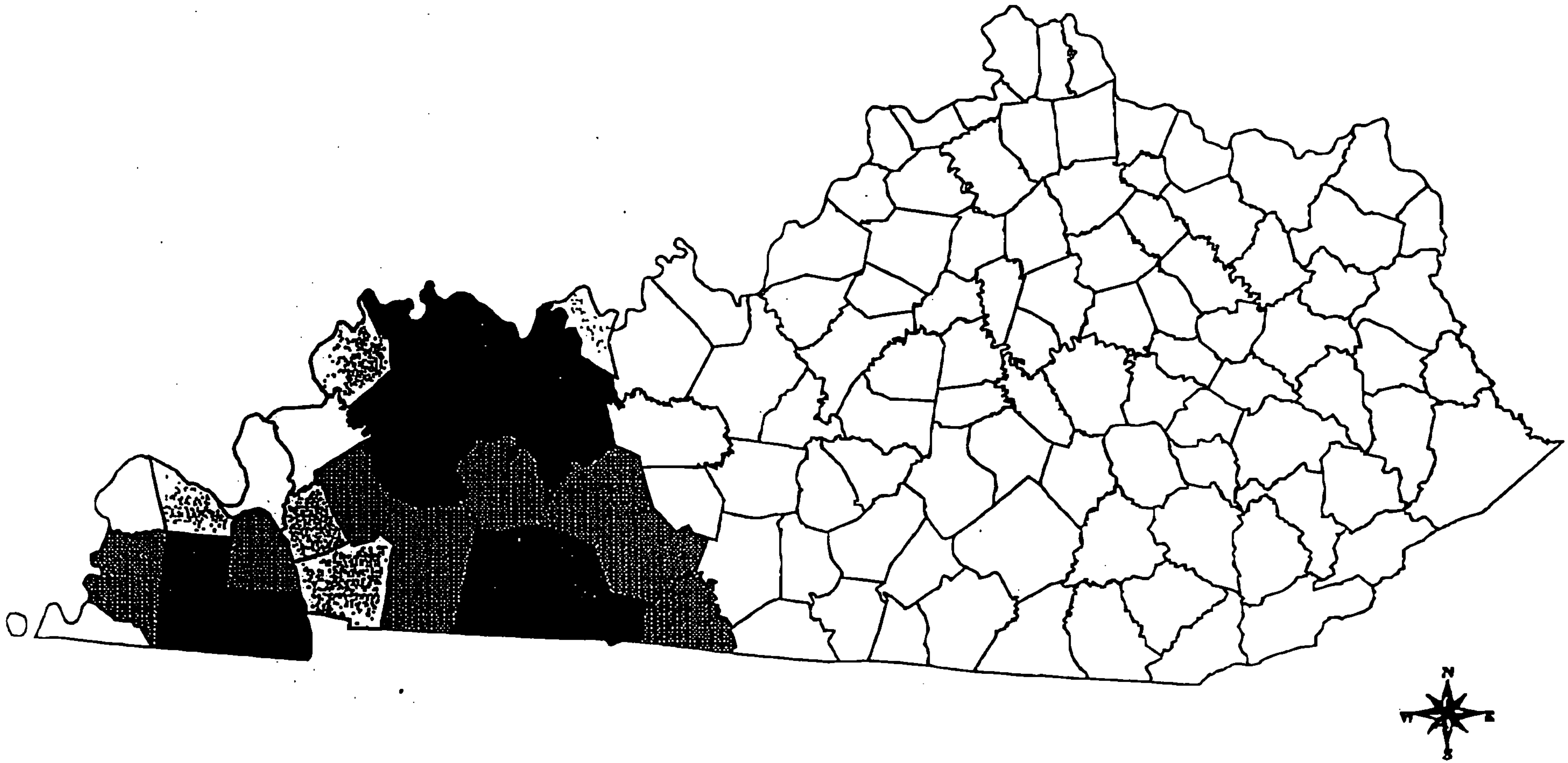
Ky Fire Cured (Types 22-24)
- Up to 20,000 lbs
- 20,001 to 300,000 lbs
- 300,0001 to 1,000,000 lbs
- 1,000,001 to 5,000,000 lbs
- Over 5,000,001 lbs
- No Fire-Cured

Source: USDA FSA
County File Upload 370
Other Kinds of Tobacco
1997 Farm Crop File
Summarized by County

USDA

Prepared by
Farm Service Agency

1997 Dark Air-Cured (Types 35-36) Tobacco Pounds
Kentucky



Ky Dark-Air Cured (Types 35-36)
Up to 5,000 lbs
5,001 -50,000 lbs
50,001 - 150,000 lbs
150,001 - 1,000,000 lbs
Over 1,000,001 lbs
No Dark Air Cured

Source: USDA FSA
County File Upload 370
Other Kinds of Tobacco
1997 Farm Crop File
Summarized by County

USDA

Prepared by

THE COURIER-JOURNAL
SATURDAY,
APRIL 4, 1998

Price-support program called crucial safety net

PHOTOS BY MICHAEL HAYMAN, THE COURIER-JOURNAL

Robert Richardson of Versailles, right, introduced U.S. Secretary of Agriculture Dan Glickman to other farmers.

Agriculture chief says president won't abandon tobacco farmers

Richardson and Glickman examined weather-damaged leaf from last year's tobacco crop.

By JOE WARD
The Courier-Journal

LEXINGTON, Ky. — U.S. Secretary of Agriculture Dan Glickman told farmers gathered in a tobacco warehouse in Lexington yesterday that the federal tobacco program has served as a safety net for the family farm — and that the stability it provides must be preserved.

He pledged that President Clinton will sign no tobacco bill that doesn't protect the farmers.

It was what the farmers wanted to hear.

At the warehouse forum, attended by 600 to 700 farmers and government officials and employees, and during an earlier visit by Glickman to a Woodford County tobacco farm, the main thrust of farmer commentary was the same: Kentucky farmers need the tobacco price-stability program.

"We're not here to save tobacco," Daviess County farmer and Burley Co-op president Rod Kuegel said at the forum.

"We're here to save the family farm. What people need to realize is that you can't do one without the other here in Kentucky."

Earlier, as Glickman talked with farmers on a grassy slope on Robert and John Richardson's farm on Steele Road, Woodford County farmer Rusty Thompson told him the furor over tobacco in the Congress and the news media is wearing on tobacco farmers.

"As tobacco farmers, we're getting shot all to pieces every day," Thompson said.

"We've played by the rules all of our lives, and so did my father and grandfather," and don't believe punishment is in order, he said.

Glickman told the farmers that the aim of tobacco legislation pending in Congress is to reduce smoking among the nation's young people, which he said is a worthy goal.

But he said it also is important that the legislation protect the "tens of thousands of farmers" who have been the beneficiaries of the federal tobacco program — which he said has worked better over several decades than most other federal agriculture programs.

"We need a solution that provides stability and is fair to the farmers the small communities," he said.

Congress is considering a massive tobacco bill that would extract several hundred billion dollars from the tobacco industry, and in exchange provide them with some limited protection against lawsuits from parties alleging

See GLICKMAN
Page 7, col. 1, this section

THE COURIER-JOURNAL
SATURDAY,
APRIL 4, 1998

Glickman reassures growers

Continued from Page F 1

they were injured by smoking.

The legislation has been in the works since last June, when tobacco companies and attorneys general for 40 states worked out a tentative agreement involving payment of $368 billion by the industry and curbs on advertising.

Tobacco farmers have long believed that any time Congress considers any tobacco legislation, the federal tobacco program that keeps their prices stable is in jeopardy. The program long has been a target of anti-smoking forces.

The pending legislation also holds the potential of drastically reducing the amount of tobacco consumed, which could seriously cut farm income.

Farmers have had difficulty deciding among themselves what they should seek from Congress. Some favor a buyout that would give farmers who have depended on the program enough money to move to other crops.

Others say tobacco will be grown as long as it is legal, and they want to keep growing it, but they need the program to do it.

The program basically keeps prices up by limiting supply through quotas. The government finds out each year how much tobacco the companies expect to buy and how much can be sold overseas, and then divvies up the right to grow it among the farmers.

That way, the farmers don't overproduce and drive prices down. A price-support mechanism that involves government loans makes sure the farmers get an acceptable price even when the companies buy less than they said they would.

Kuegel and others — including U.S. Sen. Wendell Ford of Kentucky, who long has been tobacco's premiere champion in Congress — say the program enables families to make a living on much smaller farms than would otherwise support them.

Picking up that theme at yesterday's forum, Kentucky Gov. Paul Patton urged that Glickman, when dealing with tobacco and other farm issues, "take into account the cultural value of small farms."

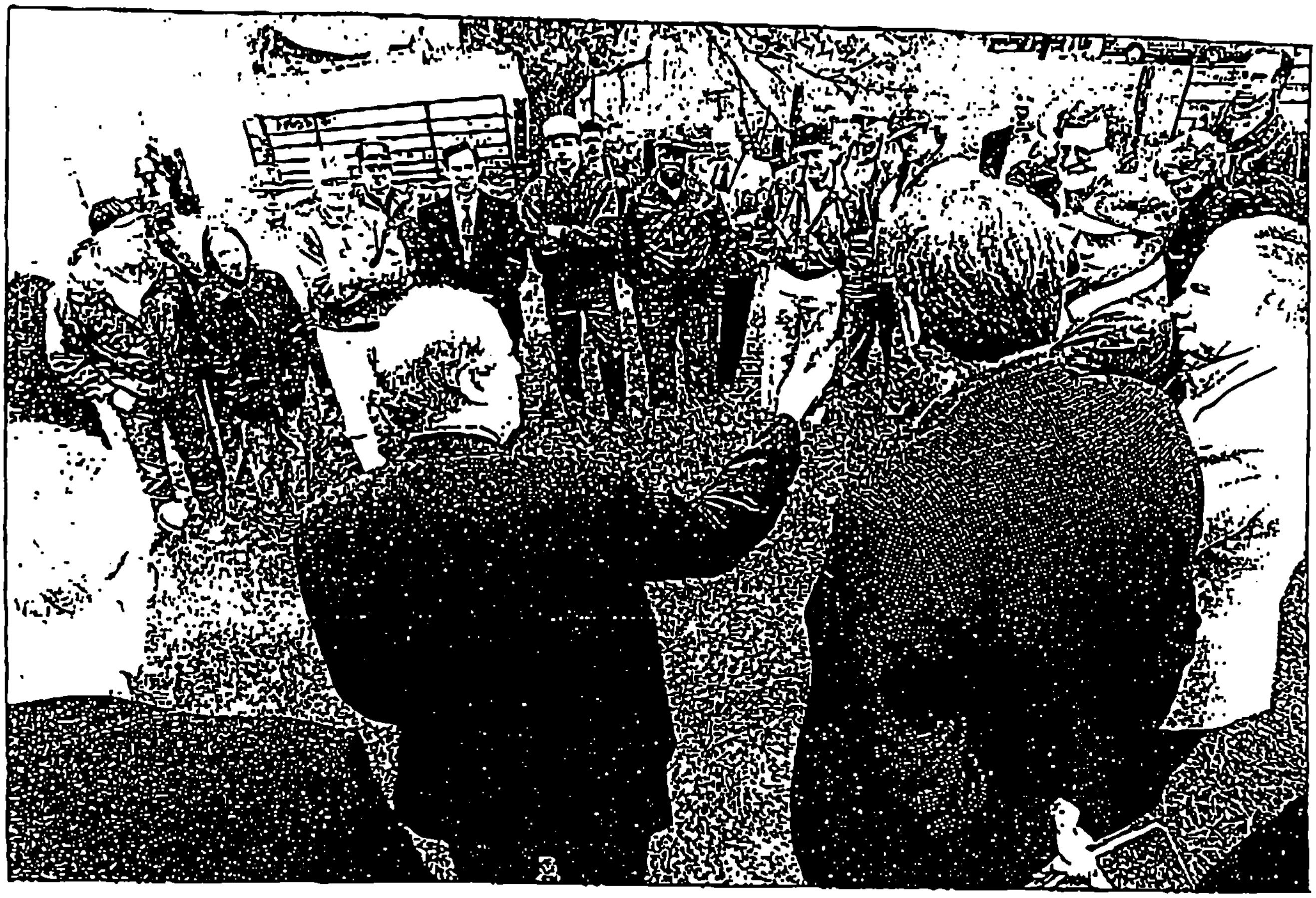
"Tobacco is the reason we have so many family farms, and so Kentuckians enjoy the value of rural living," the governor said.

Glickman told reporters at a brief press conference after the forum that he assumes the President and legislators who champion tobacco will accept nothing less than a continuation of the program for farmers who to keep growing tobacco, and a reasonable price for those who want out.

The pending legislation would do just that, buying quotas from those who want to opt out at $8 a pound over 10 years.

Lexington Herald-Leader
Saturday, April 4, 1998

Finding facts firsthand about family farms



PHOTOS BY FRANK ANDERSON/STAFF

Agriculture Secretary Paul Glickman, with hand outstretched, addressed about 25 Woodford County tobacco farmers yesterday, during a visit to the farm of Robert Richardson. Later, he held a USDA forum in a tobacco warehouse in Lexington.

U.S. agriculture secretary visits farms, hosts forum

By Kit Wagar
HERALD-LEADER STAFF WRITER

U.S. Agriculture Secretary Dan Glickman came to Central Kentucky yesterday to take the pulse of American agriculture, and farmers let him know that Kentucky lives and dies by tobacco price supports.

"We are not here to save tobacco," said Owensboro tobacco grower Rod Kuegel. "We are here to save the family farm. But you can't do one without the other in Kentucky."

Kuegel's comments set the tone for yesterday's farm forum, the first of seven such meetings Glickman is holding across the country to see firsthand how new federal farm policies are working. Sitting in a warehouse filled with the pungent aroma of cut tobacco, officials could not have gotten away from tobacco if they had tried.

Kuegel, who is president of the Burley Tobacco Growers Cooperative Association, told Glickman and other federal agriculture officials that some farms in Kentucky have only 6 to 10 tillable acres.

"It's tobacco that makes them viable," Kuegel said.

Glickman said he understood the role that tobacco price supports had played in creating a nearly unique culture of small farms in Kentucky. He promised that tobacco farmers would not be left out of a national tobacco settlement.

"The president has said that a fair and reasonable settlement for tobacco farmers is a linchpin of any settlement," Glickman said.

But he declined to endorse a specific plan to protect farmers, saying only that the proposal by Democratic Sen. Wendell Ford of

See GLICKMAN, B2

Gov. Paul Patton, left, listened to Glickman speak at the USDA forum yesterday.

Lexington Herald-Leader
Saturday, April 4, 1998

GLICKMAN: Talk covers tobacco, hemp, ostriches

From Page B1

Kentucky was a positive step. The administration, he said, wants to see a consensus in Congress before endorsing a specific plan.

Ford has proposed a plan that would allow farmers to sell their tobacco quota to the government for $8 a pound, paid over 10 years. Growers who lease quota could receive $4 a pound. Farmers who chose to continue growing tobacco would still participate in a price-support system.

The farm forum, which attracted several hundred growers from across Kentucky, included questions that ran the gamut from ostrich farming to hemp growing.

Glickman said he was trying to end the Agriculture Department's traditional bias toward large operations by emphasizing research into ways that small and medium-size farms can be competitive.

He said he was concerned about overconcentration in the beef processing industry, where four firms have 80 percent of the market. In 1980, that portion of the market was shared by 12 firms. He said he is seeking tougher enforcement of antitrust laws to stop monopolistic practices.

He assured growers that the controversial proposed standards for organic foods would be changed. When the standards were issued for comment, he said, they generated some 16,000 responses, more than any other issue in modern history.

The proposed standards included many practices that organic farmers considered heresy. At $4 billion a year, the organic foods industry can no longer be considered a fringe business, he said.

One farmer asked why the government was not moving to help the U.S. hemp industry. Hemp is legal in Germany and Canada, which is providing $50 million in assistance to get the hemp industry up and running.

"That issue is to some extent above my pay grade," Glickman said, prompting laughter. He acknowledged that farmers in other states also had inquired about the possibility of growing hemp, a cousin of marijuana that lacks THC, the substance that causes smokers to get high.

He said the future of hemp is tied up in anti-marijuana issues, so the Agriculture Department has made no decision on whether hemp promotion would be a good idea.

"All I can tell you is: Keep the information flow coming," he said.

Earlier in the day, Glickman visited the Woodford County tobacco farm of Robert Richardson. He told local growers they need to make their voices heard. All of agriculture faces a tough political situation, he said, because farmers make up only 2 percent of the population.

Under new farm policies, which phased out most price supports, the ultimate safety net is export markets, Glickman said. The Agriculture Department was trying to ensure that farm credit remained plentiful and that barriers to U.S. farm exports were eliminated. Farming, he said, is a growth industry because the world's population is exploding and people everywhere want U.S. farm products.

John Richardson, who raises cattle and with his brother grows 120 acres of tobacco, was unimpressed.

"It was about the same thing they say all the time," Richardson said.

"They talk more about grain farmers than tobacco farmers. It gets them off the subject of tobacco."

STRIKING FORD

FOR	???	AGAINST

Dems	Repubs	Dems	Repubs	Dems	Repubs
Durbin	48	Conrad Dorgan Kerrey	Thompson Thurmond Chafee Jeffords Collins Snowe Coverdell	41	McCain Frist Warner

* Faircloth's staff has said he is likely to abstain.

STRIKING LUGAR

FOR	???	AGAINST

Dems	Repubs	Dems	Repubs	Dems	Repubs
44	McCain Frist Warner D'Amato	Durbin	Thompson Specter Snowe Collins Chaffee Jeffords Dewine Hatch Bennet Mack Stevens Thurmond		38

tobacco — farmers — Ky — background news

April 7, 1998 (Draft)

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
ELENA KAGAN
TOM FREEDMAN

SUBJECT: KENTUCKY TRIP AND ROUNDTABLE WITH TOBACCO FARMERS

On Thursday, April 9, you will travel to Carrollton, Kentucky to meet with tobacco farmers, community leaders, and children. During this trip, you will reaffirm your commitment to protect tobacco farmers and their communities, while also emphasizing the need to reduce youth smoking. The trip will also allow you to express support for a plan to protect tobacco farmers authored by Senator Ford that is included in Senator McCain's legislation.

Structure of the Trip

You will first travel to a tobacco warehouse where you will hold a roundtable discussion on how to protect farmers and their communities. The participants in the discussion are expected to be a local farmer, a farmer who represents growers statewide and has worked well with the Campaign for Tobacco Free Kids, a minority farmer who has raised many foster children using her revenue from tobacco, the owner of the warehouse you are visiting, a student who wants to be a farmer, the head of the state farm bureau, a local religious leader, and a community activist who has helped bring farmers and health advocates together. Secretary Glickman will also participate on the panel, and Governor Patton and Senator Ford will be present but speak at the second event.

After the roundtable, you will travel to a school where you will address students and reinforce the message of reducing youth smoking.

Background on Kentucky Tobacco Farmers

There are two main types of tobacco, flue-cured and burley. Burley tobacco is the primary crop in Kentucky, with revenues of more than $800 million in 1997 for the nearly 450 million pounds grown. In 1997, approximately 70 percent of the burley tobacco produced in the United States came from Kentucky. The majority of burley tobacco producers in Kentucky favor continuation of the federal price support program.

Many Kentucky tobacco farms are very small. The average Kentucky tobacco farm plants only 4.5 acres of burely tobacco. In contrast, flue-cured tobacco farms in North Carolina and South Carolina average 16.1 and 25.5 acres of tobacco per farm, respectively. However, large farms dominate Kentucky's burley tobacco business. Last year, 70 percent of the total burley sold came from only 26 percent of the farms.

Tobacco is a major part of the Kentucky economy. Tobacco sales account for over 40 percent of the total crop revenue for Kentucky, and over 20 percent of all agricultural sales in Kentucky.

According to USDA, Kentucky experienced an abnormal year for their 1997 burley tobacco crop. Adverse weather conditions resulted in tobacco with high moisture content that was of a generally low quality and received a lower prices than expected.

Tobacco Program Background

Since the 1930s, tobacco prices have been supported and stabilized by the federal government's commodity support program. One part of the program involves limiting supply through a quota program. A quota entitles the owner to grow a certain percentage of the national supply of tobacco for that year. Under the quota program, the government determines each year how much tobacco the companies expect to buy, how much will be sold overseas plus a modest reserve, and then divides up the right to grow that full amount among the quota holders. The burley quota can be sold, rented or leased. In addition, the tobacco program guarantees an acceptable price at which farmers can sell their tobacco. The price-support system ensures that farmers can sell tobacco at a statutory minimum price to their cooperatives if companies cease to buy on the open market. In this program, the government loans funds to the cooperatives to purchase tobacco, which are repaid from the proceeds of future sales.

Producers of the different kinds of tobacco vote in triennial referenda to determine if they wish to continue the federal tobacco program for their kind of tobacco. In a referendum in late February, 97.5 percent of burley producers voted to continue the price support-production control program.

The AG's Settlement Agreement

The settlement agreement with the Attorneys General did not outline a plan to compensate farmers for the diminished domestic tobacco sales that might result from comprehensive legislation. You, however, made protecting tobacco farmers and their communities one of the five key elements of your plan for comprehensive tobacco legislation.

Legislative Background

Three types of legislative approaches for farmers have been discussed. First, Senator Lugar proposed legislation that would quickly "buy-out" quota owners from the governmental system at approximately $8 a pound. In Senator Lugar's plan, tobacco prices would then be subject to the free market. Second, Senator Ford proposed legislation that would maintain the current quota system, while also compensating farmers (up to $8 per pound) for the difference between the prices they would have enjoyed without legislation and the diminished prices they may experience. Senator Ford's bill also includes transition fund for communities. Finally, Senator Robb had proposed legislation that would combine elements of both of the above approaches. He sought to buy-out farmers, but replace the quota system with a production control system based on permits. Unlike quotas, permits would be given only to those who actually grew tobacco and could not be bought or rented.

Senator Ford's proposal, the LEAF Act, appealed mostly to burley growers like those in Kentucky who have small farms and want to continue the quota program. Senator Robb's approach gained some support from flue-cured farmers (based mainly in North Carolina, South Carolina and Virginia) who believe the buy-out and license system better fits more capital-intensive flue-cured production. Senator Lugar's approach has not attracted widespread support; even tobacco-state senators like McConnell who philosophically favor this approach probably will not come out for it publicly.

Farmers' Legislation Included in McCain Tobacco Bill

Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a generous farmer provision in the McCain tobacco legislation. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at $8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the extent that base quota declines. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new no-cost permits to active producers, regardless of whether they previously held a quota. This transferring of quotas from inactive quota holders to actual producers was part of the Senator Robb's proposal and is intended to make it possible for active farmers to sell tobacco without incurring the cost of buying or renting quota. The McCain package also provides approximately $500 million for assistance to tobacco-producing communities. The package costs $2.1 billion per year for the first ten years and $500 million for years 11-25 for a total of $28.5 billion. For the most part, tobacco farmers are very pleased with the proposal included in the McCain legislation.

Below is a table with the major provisions for tobacco farmers in the McCain legislation.

Payments to Tobacco Farmers Under Proposed Legislation

	Burley, fire-cured, and dark air-cured tobaccos	**Flue-cured tobacco**
Buy-out	Optional one-time buy-out at $8/lb over 10 yrs or less	Mandatory buy-out of all quota holders at $8/lb over 10 yrs or less
Those who remain in program --quota or permit	Those who do not take the optional buy-out retain their existing quota	Active producers will be issued a permit at no cost -- changing the old quota system to a new permit system for flue-cured, and allowing only active producers stay in program. Permits may not be sole or leased, but may be transferred to descendents.
Payments to remaining quota-holders who remain in system	Remaining quota holders get payments to the extent quota falls equal to $4/lb for every pound quota drops, with a lifetime limit of $8/lb times the entire quota	No remaining quota holders
Lessees (Burley), Renters (Flue-cured), and tenants (essentially sublessees)	Lessees and tenants get (1) option to acquire relinquished quota (if any), and (2) payments to the extent quota falls equal to $2/lb for every pound quota drops, with a lifetime limit of $4/lb times the entire quota	Renters and tenants get (1) permits ~~limiting~~ right to produce future crops, and (2) payments to the extent national quota falls equal to $2/lb for every pound quota drops, with a lifetime limit of $4/lb times the entire quota

Lessee buyout?

Free

not eligible

Other Provisions: Shall not be eligible for additional as result of reallocation

Tenants Tobacco McConnell

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-farms employment, expanding infrastructure, long-term business technical assistance, supplemental agricultural activities, value-added agricultural initiatives, and compensation to warehouse owners. The program is authorized for $375 million. At least 20 percent of the funds must be spent on agricultural activities, 4 percent on long-term technical assistance, and 6 percent on warehouse owners.

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

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 the program is administered by the Secretary of Education.

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.

Total Costs: $2.1 billion per year for the first ten years, $500 million for years 11-25, for a total of $28.5 billion.

- Annual payments to tobacco farmers set at $1.65 billion.
- Economic development grants set at $375 million less administrative costs for first ten years.
- Assistance for dislocated workers set at $25 million annually for ten years.

Secretary Glickman's Trip to Kentucky

Last Friday, on April 3, Secretary Glickman and Tom Freedman traveled to Lexington, Kentucky to attend a Farm Forum at Gentry Tobacco Warehouse with 600 to 700 farmers, government officials, and agribusiness leaders. The farmers were generally supportive of the Administration. Their main concerns were that the tobacco program be kept in place and that small farmers not be adversely affected.

Attachments

- Background on General State of the Tobacco Industry (prepared by USDA)
- Background on Farmer Portion of the McCain Legislation (prepared by USDA)
- Highlights of Kentucky Tobacco Farmer Survey from February 10-19, 1998 (Campaign for Tobacco-Free Kids and the Kentucky Health and Agriculture Forum)
- Maps showing the distribution of tobacco production in Kentucky
- Regional Press Clips from Secretary Glickman's Trip to Kentucky

JUL-28-98 04:20 PM C.G.C

Tobacco farmers VA

Can't be involved.

Facsimile Transmission Cover Sheet

from the offices of
Commodity Growers Cooperative Association
620 S. Broadway, Ste. 206
Lexington, KY 40508
(606)233-7845 phone (606)252-9255 FAX
email: cgrowers@uky.campus.mci.net

To: Thomas Freedman
Special Assistant to The President
Senior Director for Policy Planning
Fax: 202-456-7431 Phone:

From: Karen Armstrong-Cummings, CGC Director
(606)233-7845 phone (606)252-9255 FAX

Date: July 28

4 pages, including this cover.

Comments:
Thomas Freedman -
Please see attached a letter and 2 cover sheets to two proposals Commodity Growers Cooperative is submitting to the USDA.
We hope you will contact the USDA in support of these proposals. We will be sending the completed proposals to you by mail.
Thanks - Karen Armstrong-Cummings

Commodity Growers Cooperative Association
In affiliation with the Burley Tobacco Growers Cooperative Association

Attn: Thomas Freedman
Special Assistant to the President
Senior Director for Policy Planning
Domestic Policy Council
Fax: 202-456-7431

July 28, 1998

Dear Thomas Freedman,

I am writing on behalf of Kentucky's Commodity Growers Cooperative Association and the Center for Sustainable Systems, in order to ask for your support of two proposals which we recently submitted (6/30) to the United States Department of Agriculture. The proposals, one titled "Six Decades of Cooperation: A Living Legacy Nurturing New Cooperatives or a Culture Up in Smoke" and the other calling for an "Institute for Rural Community Entrepreneurship" outline clear strategies and goals on how to revitalize the state's rural economy and assist small, tobacco dependent growers in finding viable alternatives to supplement their farm income.

The two-year project proposal for an Institute for Rural Community Entrepreneurship, if implemented, would promote rural entrepreneurial initiatives and rural community-based sustainable development through regional collaboration, cooperation, and alliance building. It would establish three Centers, including a Center for Cooperative Development, a Center for Agricultural Enterprise and Incubation, and a Rural Reinvestment Grant and Loan Fund Center. This is an ambitious task and will involve numerous organizations, such as: MACED (Mountain Association for Community Economic Development), Berea, KY; University of Kentucky College of Agriculture; National Farmers Union, Aurora, Colorado; Kentucky Department of Agriculture, Frankfort, KY; Commonwealth of Kentucky's Office of the Governor; AG 2000 Project, Lexington, KY; Kentucky Council of Cooperatives, Lexington, KY; University of Kentucky College of Business' Center for Entrepreneurship; and University of Louisville's Institute for Environment and Sustainable Development.

Karen Armstrong-Cummings   Suite 206, 620 S. Broadway, Lexington, KY 40508

Commodity Growers Cooperative Association
in affiliation with the Burley Tobacco Growers Cooperative Association

which would highlight the lessons learned from the Burley Tobacco Growers Cooperative Association and help define a more certain future for the 148,000 cooperative farmer members. It would do so by articulating their concerns, helping them actively determine their own future. This project would be a partnership project with the Burley Tobacco Growers Coop, University of Kentucky College of Agriculture, Kentucky State University, and Kentucky AG Project 2000.

We appreciate the time and energy you have invested in ensuring a prosperous future for Kentucky's farm families. We would appreciate any assistance you could provide in contacting USDA about these proposals. If you have any additional questions concerning the two above mentioned proposals, please do not hesitate to contact me at: 606-233-7845.

Sincerely, Karen Armstrong-Cummings

Karen Armstrong-Cummings

Karen Armstrong-Cummings
Suite 206, 620 S. Broadway, Lexington, KY 40508

OMB Approval No. 0348-0043

APPLICATION FOR FEDERAL ASSISTANCE

2. DATE SUBMITTED: June 30, 1998

Applicant Identifier:

1. TYPE OF SUBMISSION:
Application: ☐ Construction ☒ Non-Construction
Preapplication: ☐ Construction ☐ Non-Construction

3. DATE RECEIVED BY STATE:

State Application Identifier:

4. DATE RECEIVED BY FEDERAL AGENCY:

Federal Identifier:

5. APPLICANT INFORMATION

Legal Name: Center for Sustainable Systems

Organizational Unit:

Address (give city, county, state, and zip code):
433 Chestnut Street,
Berea, KY 40403
Madison County

Name and telephone number of the person to be contacted on matters involving this application (give area code):
Hal Hamilton - 606-986-5336 or
Karen Armstrong-Cummings 606-233-7845

6. EMPLOYER IDENTIFICATION NUMBER (EIN): 61-1221142

7. TYPE OF APPLICANT: (enter appropriate letter in box) N

A. State
B. County
C. Municipal
D. Township
E. Interstate
F. Intermunicipal
G. Special District
H. Independent School Dist.
I. State Controlled Institution of Higher Learning
J. Private University
K. Indian Tribe
L. Individual
M. Profit Organization
N. Other (Specify) Nonprofit

8. TYPE OF APPLICATION: ☒ New ☐ Continuation ☐ Revision

If Revision, enter appropriate letter(s) in box(es): ☐ ☐

A. Increase Award B. Decrease Award C. Increase Duration
D. Decrease Duration Other (specify):

9. NAME OF FEDERAL AGENCY:
U.S. Dept. of Agriculture Rural Business Serv.

10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: __ -___

TITLE:

11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:
Six Decades of Cooperation: A Living Legacy Nurturing New Cooperatives or A Culture "Up in Smoke?"

12. AREAS AFFECTED BY PROJECT (cities, counties, states, etc.):
State of Kentucky

13. PROPOSED PROJECT:

Start Date	Ending Date
9/98	12/99

14. CONGRESSIONAL DISTRICTS OF:
a. Applicant: 6th Congressional Dist. Congressman Scotty Baesler
b. Project: Same

15. ESTIMATED FUNDING:

a. Federal	$	95,000.00
b. Applicant	$	35,000.00
c. State	$	-0- .00
d. Local	$	-0- .00
e. Other	$	-0- .00
f. Program Income	$	.00
g. TOTAL	$	130,000.00

16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?

a. YES. THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON

DATE ____________

b. NO. ☐ PROGRAM IS NOT COVERED BY E.O. 12372

☐ OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?

☐ Yes If "Yes," attach an explanation. ☒ No

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.

a. Typed Name of Authorized Representative: Hal Hamilton

b. Title: Director

c. Telephone number: 606-986-5336

d. Signature of Authorized Representative: Hal Hamilton

e. Date Signed: 6/30/98

OMB Approval No. 0348-0043

APPLICATION FOR FEDERAL ASSISTANCE

1. TYPE OF SUBMISSION: Application ☐ Construction ☐ Non-Construction; Preapplication ☐ Construction ☒ Non-Construction	2. DATE SUBMITTED	Applicant Identifier
	3. DATE RECEIVED BY STATE	State Application Identifier
	4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier

5. APPLICANT INFORMATION

Legal Name: Center for Sustainable Systems	Organizational Unit:
Address (give city, county, state and zip code): 433 Chestnut Street, Berea, Ky 40403, Madison County	Name and telephone number of the person to be contacted on matters involving this application (give area code): Hal Hamilton 606-[redacted]986-5336 or Karen Armstrong Cummings 606-233-7845

6. EMPLOYER IDENTIFICATION NUMBER (EIN): 61-1221142

7. TYPE OF APPLICANT: (enter appropriate letter in box) E

A. State	H. Independent School Dist.
B. County	I. State Controlled Institution of Higher Learning
C. Municipal	J. Private University
D. Township	K. Indian Tribe
E. Interstate	L. Individual
F. Intermunicipal	M. Profit Organization
G. Special District	N. Other (Specify)

8. TYPE OF APPLICATION: ☒ New ☐ Continuation ☐ Revision

If Revision, enter appropriate letter(s) in box(es) ☐ ☐

A. Increase Award B. Decrease Award C. Increase Duration D. Decrease Duration Other (specify):

9. NAME OF FEDERAL AGENCY: U.S. Department of Agriculture

10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 10.771

TITLE:

11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Institute for Rural Community Entrepreneurship:
a. Center for Cooperative Development
b. Rural Reinvestment Grant + Loan

12. AREAS AFFECTED BY PROJECT (cities, counties, states, etc.): Kentucky

13. PROPOSED PROJECT: Start Date 9/98 Ending Date 8/00

14. CONGRESSIONAL DISTRICTS OF: a. Applicant: Sixth Congressional District Scotty Baesler b. Project: same

15. ESTIMATED FUNDING

a. Federal	$ 376,000	.00
b. Applicant	$ 262,500	.00
c. State	$ -0-	.00
d. Local	$ -0-	.00
e. Other	$ -0-	.00
f. Program Income	$ -0-	.00
g. TOTAL	$ 638,500	.00

16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?

a. YES. THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON

DATE ______

b. NO. ☐ PROGRAM IS NOT COVERED BY E.O. 12372

☐ OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?

☐ Yes If "Yes," attach an explanation. ☒ No

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.

a. Typed Name of Authorized Representative: Hal Hamilton	b. Title: Director	c. Telephone number: 606-986-5336
d. Signature of Authorized Representative: Hal Hamilton		e. Date Signed: