LUGAR BILL - NATIONAL TOBACCO SETTLEMENT - S. 1313

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- During the 3-year transition period, price supports would be reduced by 25 percent the first year and 10 percent in each of the next 2 years. Without quotas and with reduced price supports, overall production would probably be limited to existing curing barn capacity. Given the fact that price supports would also be terminated after 2001, producers would be reluctant to invest in additional barn capacity and lenders would be reluctant to finance barn and related equipment purchases. Larger more efficient producers would likely expand production while small inefficient producers will likely go out of business. Overall, flue-cured production might increase about 200 million pounds and burley about 50 million pounds during the 3-year transition period.

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- Economic development grants for three years, funded at $100 million per year, appear grossly inadequate to bridge the transition period. Marginal tobacco production areas are unlikely to remain economically viable. In the absence of tobacco farming, substantial agricultural production in these areas may be adversely impacted, because tobacco quotas facilitate the financing of whole farming operations including grains and vegetable crops that are grown currently on the same farms with tobacco. In addition, service and support industries will be forced to migrate away from these areas or cease to exist. Further, it is unlikely that there will be substitute agriculture or manufacturing activities to replace income formerly generated from tobacco production. Other proposed bills provide for substantially greater tobacco community assistance (ranging from $3.8 billion to $8.3 billion) over a longer period of time.

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FAX COVER SHEET

U.S. DEPARTMENT OF AGRICULTURE
Office of the Under Secretary
Farm and Foreign Agricultural Services
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250-0105

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Telephone: (202) 720-3111

Date: 5/15/98

TO: Tom Freedman

FAX NO:

PAGES: 4 (including cover)

FROM:

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

for Dallas

COMMENTS: Attachment

LUGAR BILL - NATIONAL TOBACCO SETTLEMENT - S. 1313

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Tobacco
-Farmers
-Logan

FAX COVER SHEET

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14th Street and Independence Avenue, S.W.
Washington, D.C. 20250-0105

Fax No: (202) 720-8254
Telephone: (202) 720-3111

Date: 5/14/98

TO: Tom Freedman

FAX NO: 456-7431

PAGES:
(including cover)

FROM:

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

COMMENTS: Tom
Please note the changes in our analysis. The changes flowed from our Task Force meeting this afternoon and reflects broader input with USDA. Please call me for Greg's concerns

Dallas

LUGAR BILL - NATIONAL TOBACCO SETTLEMENT - S. 1313

Tom,

As requested, please find attached staff analysis of the Lugar bill and the potential impact of the legislation on tobacco growers and their communities, if implemented as proposed. We understand that changes in the bill may be under consideration, but are not reflected in our analysis. Therefore, the ultimate impact of the legislation can only be assessed after the final version of the bill is known.

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VIRGINIA

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COMMITTEES:
ARMED SERVICES
FOREIGN RELATIONS
INTELLIGENCE
JOINT ECONOMIC COMMITTEE
Vice Chairman
Democratic Policy Committee

OFFICE OF SENATOR CHARLES ROBB

FAX: 202/224-8689

Tobacco farmers — ~~[illegible]~~ Lautack

FACSIMILE TRANSMITTAL

DATE:

TIME:

TO: Tom Friedman

FIRM:

FAX: 456-7431

PHONE:

FROM: Ricky Schaefer

OF PAGES INCLUDING COVER:

COMMENTS:

If you have any problems with the receipt of this transmission, please call the sender listed above immediately, 202/224-4024. Thank you.

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Draft

Confidential

The Honorable John McCain
Chairman
Committee on Commerce, Science, and Transportation
United States Senate
Washington D.C.

The Honorable Ernest F. Hollings
Ranking Minority Member
Committee on Commerce, Science, and Transportation
United States Senate
Washington DC

Dear Chairman McCain and Senator Hollings;

We are writing to express our views concerning the tobacco farming provisions as presently contained in S. 1415, the "National Tobacco Policy and Youth Smoking Reduction Act".

As you may be aware many of the health organizations as well as the tobacco farm organization have been meeting over the last several years to talk about the future of America's tobacco farming communities in an environment where we hope that there will be significant reduction of tobacco use in this country, particularly by children and adolescents.

Our talks have been honest, open, and productive. On March 16th of this year we issued a set of Core Principles signed by more than forty health and farm organizations in an effort to help guide the legislative process towards reaching some solutions that benefited both public health as well as provided stability for the tobacco producing communities into the 21st century. It was against these Core Principles that we agreed we would 'measure' all of the various tobacco farm proposals pending before Congress. We are attaching a copy of those principles and we hope you will take the time to read them.

It is our view that the tobacco farm provisions contained in S. 1415 are consistent with the overall focus of the Core Principles except that we believe there can and should be improvements. The public health community has basically four overarching goals:

- to eliminate federal funding for the administration and operation of the tobacco control program.

- to reduce tobacco communities dependence on tobacco production into the next century.

- to provide economic development assistance and other incentives to tobacco producing communities to assist them in making the changes necessary in a less tobacco dependent environment.

- to maintain some type of tobacco program that establishes controls over production, price, as well as setting health and safety standards.

We would suggest for your consideration that S. 1415 be modified on the Senate floor to achieve the following objectives:

1. **Economic Development Funds:** The health groups and tobacco farm groups met in Frankfort Kentucky in March to discuss how the economic development funds should be administered and spent. It was the consensus of this group that it was essential that decision making be as local as possible in that each community would have to ascertain its needs and overall directions for change. A backgrounder was developed as well some specific statutory recommendations. This language has been provided to various Senate staffers for consideration

2. **Tobacco Program:** The legislation contains different provisions for the operations of the burley versus the flue cured program. We have stated publicly that we support the maintenance of some type of program that will stabilize production and price. However we believe that maintenance of the current program or failing to modify the program to adapt to reducing demand for tobacco products is the wrong approach to be taking. Maintaining the "status quo" is not in our view in the best interests of the farmer or their communities as we move into the 21st century. Maintenance of a tobacco program for controlling production, supply and price must also carrying with it strong components for changing the economic infrastructures of these tobacco producing communities that will allow them to flourish and pursue new options and opportunities into the 21st Century.

3. **Incentives for Reducing Dependence on Production**: A critical component of any tobacco farm provision has to be providing the necessary incentives for tobacco farmers to make the changes they need to reduce or retire their quota in a way that does not adversely effect them economically and that for many allows them to stay in the business of farming. While we have recognized the importance of a program of some sort to maintain stability, we also believe that there must be sufficient incentives that encourage

tobacco farmers to reduce their dependence on the production of tobacco. While we were pleased to see that " buy out" provisions have been added to the original "Leaf Act" we remain concerned that as drafted there is a greater incentive to remain in the program rather than for considering options to opt out of the program.

It is our firm belief that we can reach agreement on the specifics of this legislation that will provide the necessary stability and assurances to the tobacco producing regions of this country while at the same time moving towards reducing the addiction, disease, and death caused by the use of tobacco. We encourage you both to take a lead in making this happen.

Sincerely,

CTFK, AHA, ACS, APHA

cc Tobacco State Senators
Senate Committee on Agriculture