

For: Tobacco State and County Offices

**Announcing Preliminary Tobacco Transition Payment Program Provisions**

Approved by: Deputy Administrator, Farm Programs



**1 Tobacco Transition Payment Program**

**A Background**

The Fair and Equitable Tobacco Reform Act of 2004 (the Act), commonly referred to as the “Tobacco Buyout” was signed by the President on October 22, 2004.

Federal regulations and program policies and procedures are currently being drafted and developed, and will be finalized over the next several months.

**B Purpose**

This notice provides the following:

- notification that the Act provides for terminating Federal Tobacco Marketing Quota and Price Support Programs, effective with the 2005 and subsequent crops of tobacco
- contract payments to quota holders and producers of quota tobaccos
- directives shall be issued under the TB series
- a copy of the letter (Exhibit 1) being mailed to all quota holders and producers by KC-ITSDO.

<p><b>Disposal Date</b></p> <p>May 1, 2005</p>	<p><b>Distribution</b></p> <p>Tobacco State Offices; State Offices relay to applicable County Offices</p>
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## Notice TB-1111

### 1 Tobacco Transition Payment Program (Continued)

#### C Action

The letter in Exhibit 1 includes some of the very basic provisions of the Act, and will be mailed from KC-ITSDO beginning October 27, 2004, to quota holders and producers.

A forthcoming notice will provide preliminary information and future directives will contain program details as new policies and procedures are developed.

State and County Offices shall:

- **not** mail the letter in Exhibit 1

**Note:** The letter shall be sent to all quota holders and producers by KC-ITSDO.

- continue to advise quota holders and producers that the Act does not affect the 2004 crop year
- ensure that all current regulations are followed for the 2004 marketing year for all kinds of tobaccos
- not interpret statute for the purpose of providing advice to quota holders and producers
- limit disbursing of information about the Act, to the information contained in directives from the National Office
- make copies of the letter in Exhibit 1 available in Service Center for interested parties.

**2004 Act Provisions**

Dear Quota Holder/Producer:

On October 22, 2004, President Bush signed into law the American Jobs Creation Act of 2004, which included the Fair and Equitable Tobacco Reform, commonly referred to as the tobacco buyout bill. Under this legislation, payments are to be made to tobacco quota holders and producers and the U.S. Department of Agriculture will end all aspects of the federal tobacco marketing quota and price support loan programs, effective with the 2005 and subsequent crops of tobacco.

The Farm Service Agency (FSA) will be using all available means to provide you with complete and timely information on the buyout program provisions. These tools will include direct mailings, news releases, fact sheets, and county newsletters. Frequently updated information will also be posted on our web site at <http://www.fsa.usda.gov/buyout/>.

Current 2004 tobacco marketing and price support programs will remain in effect through the end of the applicable kind of tobacco marketing season. The program for flue-cured tobacco will continue through June 30, 2005; the program for all other kinds of tobacco will continue through September 30, 2005. Contact your local FSA county office if you have questions regarding the 2004 program provisions.

Quota holders will receive a \$7 per pound payment based on their basic quota at the 2002 marketing year level. Producers of quota tobacco will receive a \$3 per pound payment based on their share of risk in producing the 2002, 2003 or 2004 crop. The payments will be made in 10 equal installments beginning in 2005 and ending in 2014. Sign-up for the program is expected to begin in early 2005 at FSA county offices.

The funds required to pay for the buyout will be obtained through assessments on manufacturers and importers of all tobacco products sold in the United States and are estimated to total \$10.14 billion over a ten year period.

We are committed to making available to you complete and timely information. The most up-to-date information can be found on our web site. Many of your inquiries may already have been answered on the Frequently Asked Question (FAQ) section of our web site. We know the importance of this program to you and are dedicated to its timely implementation. We appreciate your patience and your cooperation with the county office personnel.

Sincerely,

James R. Little  
Administrator