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**Tobacco – Tobacco Settlement:
Farmers [2]**

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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Tobacco - Tobacco Settlement: Farmers [2]

2009-1006-F
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

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- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

**THE PRESIDENT MEETS WITH KENTUCKY
TOBACCO FARMERS AND CALLS FOR PASSAGE
OF COMPREHENSIVE TOBACCO LEGISLATION**

April 9, 1998

Today, the President traveled to Carrollton, Kentucky to meet with tobacco farmers and to address students at Carroll County High School. The President's trip highlights his commitment to reducing youth smoking and protecting farmers, which are key elements of the bipartisan comprehensive tobacco legislation the President has called on Congress to pass this year.

Roundtable with Tobacco Farmers and Members of the Farming Community

The President held a roundtable discussion in the Kentuckiana Tobacco Warehouse with tobacco farmers and members of the community, including a student and tobacco warehouse owner. The panel also included Rod Kuegel, the President of the Burley Tobacco Growers Cooperative -- an organization that represents 150,000 tobacco farm families in five states -- and Bill Sprague, the President of the Kentucky Farm Bureau -- the largest farming organization in the state. This roundtable provided an opportunity for the President to listen to the concerns of farmers and the community regarding comprehensive tobacco legislation.

Addressing Students at Carroll County High School

The President also addressed approximately 2200 students and adults at the Carroll County High School where he emphasized his commitment to reducing youth smoking. The President was joined by Senator Ford, Governor Patton, and Agriculture Secretary Glickman. The President noted that every day 3,000 children will become regular smokers, and 1,000 will die prematurely as a result. He urged Congress to pass his plan for comprehensive tobacco legislation which will save one million lives over the next five years.

President's Key Principles

On September 17th, President Clinton announced the five key principles that must be included in any comprehensive tobacco legislation. They are:

1. **Tough penalties and price increases** to reduce youth smoking. Price increases of up to \$1.50 if necessary over the next ten years.
2. **Full authority for the FDA to regulate tobacco products**, including authority of the manufacture, sale, and advertising of tobacco products.
3. **The tobacco industry must change the way it does business**, including stopping advertising to children.
4. **There needs to be progress towards other public health goals** including cutting second-hand smoke and increasing funding for health research and cessation programs.
5. **There should be protection for tobacco farmers and their communities** so they do not suffer economically because of this legislation.

Tobacco
farmers

THE WHITE HOUSE
WASHINGTON

April 8, 1998

REMARKS TO CARROLL COUNTY HIGH SCHOOL COMMUNITY

DATE: April 9, 1998
LOCATION: Carroll County High School Gymnasium
EVENT TIME: 12:30 pm - 1:30 pm
FROM: Bruce Reed

I. PURPOSE

To demonstrate your commitment to reducing youth smoking while protecting tobacco farmers and their communities.

II. BACKGROUND

You will be making remarks to approximately 1,500 students and approximately 400 adults from the local community about the dangers of youth smoking. This is an opportunity to express your determination, even in the face of the industry's announcement today, to work with Congress to enact comprehensive tobacco legislation.

The Carroll County High School has a Tobacco Free Teens Program, which is a support group run through the school health services office to help students quit smoking. According to students at the school, approximately 50% of the students smoke cigarettes.

III. PARTICIPANTS

Briefing Participants:

Bruce Reed
Tom Freedman

Event Participants:

Governor Paul Patton
Senator Wendell Ford
Jacqueline Jones, Carroll County High School Senior
Dr. William Goatley, Pastor of the First Baptist Church of Eminence, Kentucky

*Secretary Glickman will be seated on stage.

IV. PRESS PLAN

Open Press.

V. SEQUENCE OF EVENTS

- **YOU** will be announced onto the stage accompanied by Governor Patton, Senator Ford, Secretary Glickman, and Jacqueline Jones.
- Governor Patton will make remarks and introduce Senator Ford.
- Senator Ford will make remarks and introduce Jacqueline Jones.
- Jacqueline Jones will make remarks and introduce **YOU**.
- **YOU** will make remarks.
- **YOU** will then work a ropeline and depart.

VI. REMARKS

Provided by Speechwriting.

TOBACCO Q&A
PRESIDENT'S KENTUCKY TRIP
April 9, 1998

I. ADMINISTRATION POSITIONS ON TOBACCO FARMER ISSUES

Q. Why is the President going to Kentucky?

A. The President is going to Kentucky, the heart of burley tobacco country, to discuss the need for comprehensive tobacco legislation that reduces youth smoking but provides for the future of family farming and rural communities. In his statement last September, the President said that protecting farmers and their communities was one of the key five principles that must be included in any comprehensive tobacco legislation he would be willing to sign. The President is going to Kentucky to discuss the impact of tobacco legislation directly with farmers and affected communities, and urge passage of legislation that meets the needs of reducing teen smoking and protects farmers and their communities. The President also will say that he is pleased that Senator Ford has worked so hard to produce consensus among tobacco producers and their representatives in Congress on a strong proposal to protect tobacco farmers.

Q. What is the President's position on programs for tobacco farmers?

A: The President made protecting farmers and their communities one of the five key principles that must be included in any comprehensive tobacco legislation. Senator Ford's bill, which maintains a production control system while compensating farmers for decrease consumption of tobacco products, is a strong proposal to protect tobacco farmers, and the President believes it is a significant step forward.. The President is encouraged that the interests of both flue-cured and burley farmers are included in the proposal, and hopes that all farmers will continue working together to ensure that legislation is passed this year.

Q. Aren't the goals of reducing youth smoking and protecting tobacco farmers contradictory?

A: No. The President does not want the tobacco companies to go out of business, only out of the business of selling to children. The tobacco farmers have played by the rules, and should be protected in any legislation that passes. The President believes that we can reduce youth smoking and protect rural communities if we all work together to urge Congress to pass bipartisan comprehensive tobacco legislation this year.

Q. Senator Lugar recently suggested in an op-ed that the tobacco program should be phased out. Does the Administration agree?

A. The Administration feels that any legislation has to be evaluated in terms of how well it

meets the President's five principles -- including reducing youth smoking and protecting farmers and their communities. Advocates of a free market for tobacco growers will need to demonstrate that it is consistent with these principles. Many health groups have argued that simply ending the tobacco program may actually increase the amount of tobacco that is grown, decrease the cost of tobacco, and provide a windfall for cigarette companies. In addition, representatives of family farms have suggested that ending the tobacco program would have extremely negative economic effects on them and their communities. The President went to Kentucky, in part, to discuss the various legislative options with those directly effected by tobacco legislation and hear their opinions first-hand

II. BACKGROUND QUESTIONS RE: TOBACCO FARMERS

Q. How important is tobacco to Kentucky producers and the overall economy?

A. 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.

Q. Who will be affected by a settlement?

A. 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 quotas, about 66 percent are considered small farm operations. Five percent of all quotas are owned by minorities, the majority of which are small producers.

Q. Why is tobacco so important to small farmers?

A. Tobacco is a high value crop that generates gross receipts of \$4,000 to \$5,000 per acre. Profits from 1 acre of tobacco are equivalent to between 15 and 20 acres of corn or soybeans. On small farms in Kentucky, with an average of 22 acres of harvested cropland in 1992, tobacco is vital to the economic survival of farmers.

Q. How much tobacco is grown in the United States?

A. In 1997, tobacco production totaled 1.7 billion pounds with a value of over \$3 billion.

Q. How does the tobacco program work?

A. Since the 1930s, in order to grow tobacco, a farmer must have a quota. The quota allows the farmer to grow a certain amount of tobacco for that year. Thus, the amount of tobacco grown in the United States is controlled by law. In addition, the price of tobacco is set statutorily. If a private company chooses not to purchase tobacco at or above the statutory minimum price, the regional cooperative of tobacco farmers will purchase the

tobacco and store it, putting the tobacco back on the market when the price is more favorable.

Q. What are the provisions of the Ford bill which is included in the McCain legislation?

A: 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. Their proposal also has the support of Senator Robb. 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 buyout for quota holders at \$8 per pound, while retaining the basic quota system for those who do not take the buyout. To the extent that the national quota declines, the bill provides transition payments to remaining quota holders, lessees, and tenants.

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 transfer of quotas from inactive quota holders to actual producers is intended to allow 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 entire 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.

II. GENERAL BACKGROUND ON TOBACCO LEGISLATION

Q: What's your reaction to RJR Nabisco CEO Steven Goldstone's remarks today at the National Press Club?

A: It is no surprise that the tobacco industry would protest the legislation moving through the Congress --it is in their interest to object to the bill now to prevent it from getting even tougher. In the end, the companies will have a strong incentive to participate, and we're convinced that they'll recognize this.

So we don't think the companies will walk away --and we hope they do not do so. We would prefer that the companies join, rather than fight, our efforts to reduce smoking.

But make no mistake: The President will continue to work to reduce youth smoking no matter what the companies do. He has worked on this effort for two years; members of Congress from both parties are now joining him; and we will get strong legislation on

youth smoking whether or not the companies join us.

Q: Will this deal drive RJR and/or other tobacco companies into bankruptcy?

A: No. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. We've done some careful financial analysis of the McCain bill, and we do not believe that it will drive companies into bankruptcy. There's just no reason to think that this legislation would increase the companies' exposure to a financial loss of the kind that would send them into bankruptcy. Stopping companies from selling cigarettes to kids will not put them out of business.

Q: But don't you need industry cooperation to enact tobacco legislation?

A: We would like the tobacco industry to willingly join us in this effort to reduce youth smoking. And we still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this chapter in their history. But if they refuse to join us, we will still make progress. We will continue our efforts to pass comprehensive legislation to dramatically reduce youth smoking.

Q: Has the President endorsed the McCain bill?

A: The President believes that this bill represents a dramatic step forward. It would raise the price of cigarettes, give the FDA full authority to regulate tobacco products, ban advertising aimed at children, and protect tobacco farmers.

But he also said we still have some work to do on this legislation. Above all, we need to put in place tough penalties that will cost the tobacco industry if it continues to sell cigarettes to young people. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. Last week's progress in the Senate shows we have real momentum in both parties to do just that. The President looks forward to working with John McCain and others to move this legislation forward.

Tobacco - rrr -
farmers

THE WHITE HOUSE
WASHINGTON

April 8, 1998

TOBACCO ROUND TABLE

DATE: April 9, 1998
LOCATION: Kentuckiana Tobacco Warehouse
EVENT TIME: 10:25 am - 11:40 am
FROM: Bruce Reed

I. PURPOSE

To meet with tobacco farmers, public health advocates, community leaders, and a student to reaffirm your commitment to protect tobacco farmers and their communities while working to reduce youth smoking.

II. BACKGROUND

This meeting is an opportunity for you to hear first-hand the concerns of farmers and other members of farming communities regarding the tobacco legislation. This is also an opportunity to say that Senator Ford's bill, included in Senator McCain's comprehensive tobacco legislation, is a strong proposal to protect farmers and their communities. The legislation, detailed in a separate memo, continues a production control system for tobacco, while compensating farmers for any decrease in the amount of tobacco sold due to tobacco legislation. Most of the Kentucky burley growers are supportive of Senator Ford's proposal. You should say that it is a strong proposal, without in any way implying that it the only farming proposal you could support, or that you agree with every detail of the proposal.

It is possible that a panelist may raise the issue of African-American farmers. As you know, many African-American farmers have claimed that the USDA has discriminated against them in its lending programs and elsewhere. The Department has resolved about 20% of program discrimination complaints. Secretary Glickman will be in a position to answer any specific questions about this issue.

III. PARTICIPANTS

Briefing Participants:
Bruce Reed

Event Participants:

Secretary Glickman

Melvin Lyons, Owner of the Kentuckiana Tobacco Warehouse.

Rod Kuegel (KEE-gull), President of the Burley Tobacco Growers Cooperative, Inc.

Amy Barkley, Director of the Coalition for Health and Agricultural Development, Inc.

Mattie Mack, Owner of a small tobacco farm who has raised many foster children.

Karen Armstrong Cummings, Director of the Commodity Growers Cooperative.

Bill Sprague, President of the Kentucky Farm Bureau, the largest farm organization in KY.

Marissa Vaught, Carroll County High School Junior who is active in anti-smoking activities.

Dr. William Goatley, Pastor of the First Baptist Church of Eminence, Kentucky.

*Governor Patton, Senator Ford and several other state and local elected officials will be present, but not participate in the round table discussion. However, you should feel free to call on Governor Patton and/or Senator Ford to make comments at the conclusion of the round table discussion. [Note: Governor Patton and Senator Ford will be speaking in the program at the Carroll County High School following this event.]

IV. PRESS PLAN

Pool Press.

V. SEQUENCE OF EVENTS

- YOU will enter the room and greet each of the round table participants and elected officials present.
 - Once YOU have taken your seat, the pool will enter the room.
 - YOU will make an opening statement.
 - YOU will then invite the participants to speak by posing a question to each person.
 - YOU will first call on Melvin Lyons, the owner of the Kentuckiana Warehouse, to thank him for hosting you and describe the work that takes place at the warehouse.
 - YOU will then pose questions to each of the participants, concluding with Secretary Glickman.
- [*SEE ATTACHED SCRIPT]
- YOU will then make brief informal closing remarks and then depart.

VI. REMARKS

Talking points for opening statement provided by Speechwriting.

TOBACCO ROUND TABLE PARTICIPANTS

(IN SUGGESTED SPEAKING ORDER)

Melvin Lyons, Owner of the Kentuckiana Tobacco Warehouse.

SUGGESTED QUESTION: *Thank you for hosting us here today. Could you please explain for everyone here today what work goes on in this warehouse?*

Rod Kuegel (KEE-gull), President of the Burley Tobacco Growers Cooperative, Inc. He currently farms 70 acres of tobacco, as well as other crops. He has worked closely with the Campaign for Tobacco Free Kids in developing the Core Principles against youth smoking between the tobacco producers and the public health community. He is very supportive of Senator Ford's bill to continue the tobacco program. He is also the Chairman of Secretary Glickman's Burley Advisory Committee.

SUGGESTED QUESTION: *Do you think that we can reduce youth smoking while protecting tobacco farmers and their communities?*

Amy Barkley, Director of the Coalition for Health and Agricultural Development, which is a statewide organization of public health advocates and farmers who work together to address both economic development and public health issues relating to tobacco.

SUGGESTED QUESTION: *How does the public health community work together with the farming community here in Kentucky?*

Mattie Mack, Owner of a small tobacco farm. She has raised 38 foster children and four of her own children through the success of her farm. She is adamantly opposed to youth smoking and is proud that none of the children she has raised smoke.

SUGGESTED QUESTION: *You bring new meaning to the phrase "family farmer." What has your farm meant to you and the children you have raised?*

Karen Armstrong Cummings, Managing Director of the Commodity Growers Cooperative, which develops markets for family farm products to help protect the future of small farms. She is very active locally against teen smoking.

SUGGESTED QUESTION: *What can the government do to help protect the small farmer?*

Bill Sprague, President of the Kentucky Farm Bureau, the largest farm organization in the state. He is a fifth generation farmer and has 3,000 acres of tobacco crop.

SUGGESTED QUESTION: *Do you think it is crucial to farmers in Kentucky for tobacco legislation to be passed soon? Can you tell us what impact the lack of resolution is having?*

Marissa Vaught, Carroll County High School Junior. Her grandmother died of lung cancer from smoking, and she has since become very active in her high school to prevent teen smoking.

SUGGESTED QUESTION: *What prompted you to get involved in efforts to reduce teen smoking at your school?*

Dr. William Goatley, Pastor, First Baptist Church, Eminence, Kentucky

SUGGESTED QUESTION: *Do you believe there is a role for the religious community in the fight against youth smoking?*

Secretary Dan Glickman

SUGGESTED QUESTION: *Do you have further comments before we close?*

Tobacco - farmers

I am pleased to write to you regarding upcoming tobacco legislation and my commitment to the protection of tobacco farmers and their communities. As you know, one of the five key elements of my plan for comprehensive tobacco legislation is the protection of the financial well being of tobacco farmers, their families and their communities. I will not support or sign legislation that does not protect tobacco farmers and assure them a secure future.

I agree with you that tobacco farmers should not suffer as a result of any future comprehensive tobacco legislation. Legislation should be enacted to protect these Americans from financial harm. Specifically, I am committed to ensuring a stable future for American tobacco farmers by supporting at a minimum: (1) the continuation and improvement of a tobacco program with quota and price support, (2) the earmarking of a portion of tobacco excise taxes to cover the cost of administering the tobacco program including crop insurance and other incidental costs to the program, (3) the earmarking of a portion of tobacco excise taxes to establish a fund to be used to assist farmers in maintaining their quota equity if they wish to sell their quota, and (4) the identification of appropriate import restrictions and incentives to encourage cigarette companies to purchase a growing share of domestically produced tobacco. I also agree with you that farmers should receive the same kinds of protections from liability that cigarette makers receive in legislation.

As I said when I announced my plan for comprehensive tobacco legislation, we have a responsibility to tobacco farmers. Tobacco farmers are honest, hard-working people, most of whom work on small, family-owned farms. They have not caused the problems associated with the current debate about teenage smoking and they have done nothing wrong. We must assure them, their families and their communities that they will have a bright future, and that any legislation will provide continued assurances for their livelihood. The successful implementation of the steps outlined above will provide financial stability to growers and political stability to their programs. They deserve no less. I look forward to working closely with you in the months ahead on this important issue.

November 5, 1997

Dear Congressman Etheridge:

Thank you for sharing with me your concern for the economic well-being of this nation's tobacco farmers and the communities in which they live.

As I have stated publicly, I am committed to the financial well-being of America's tobacco farmers, their families, and their communities. I will not support or sign any legislation that does not provide American tobacco farmers with a safe, sound, and secure future.

In response to the points you have raised with me, I agree with you that American tobacco farmers must have a stable and realistic price for the product they produce. I trust in the abilities of you and your colleagues to determine that price.

I also agree with the principle espoused by several of your colleagues on both sides of the aisle which assures American tobacco farmers a fair level of production which is based upon world market share of American cigarette companies, and a sound share of their own domestic market. I understand that this principle will involve adopting a new thought process as it affects grower production, but I believe this idea is soundly based in principles of equity, thus deserving my support. Further, I appreciate the points you have raised regarding our ability to enforce this provision, and I can assure you that I will work with you to achieve your stated objectives.

I am committed to supporting an independent source of funding for all costs associated with the operation of a successful tobacco farm program. As I understand the concept you have shared with me, you believe that tobacco farmers should be entitled to a portion of a dedicated source of revenue for the purpose of ensuring financial stability in tobacco communities, compensating tobacco farmers for any negative economic effect from the tobacco settlement, maintaining the economic viability of farmers' investments in tobacco, and for the purpose of covering all administrative and other costs associated with the Tobacco Program.

I understand that the House of Representatives has a record of previously supporting this concept in a bipartisan manner. This kind of prior bipartisan support leads me to believe that the solution which you discussed will be one which I can ultimately wholeheartedly support.

Further, I agree with you and other tobacco Members that tobacco farmers and other facets of the tobacco community should share in any immunity from liability which cigarette manufacturers receive in any settlement legislation.

Additionally, I will work with you and other Members of Congress to reform the system of "duty drawback" so that this system does not provide an economic incentive to purchase foreign tobacco, in preference to American grown leaf. Duty drawback should never be used to undermine the price or sales of American grown tobacco.

As I said when I announced my plan for tobacco legislation, we have an important moral responsibility to American tobacco farmers. These farmers are not the source of the problem, but rather, an important part of America's farming community. As you and I have discussed in the past, American tobacco farmers grow commodities other than tobacco. To ignore this fact, is to ignore the security of this nation's food supply.

I thank you for this opportunity to share with you my commitment to comprehensive tobacco legislation. The points you discussed with me are worthy of my support, particularly because of the bipartisan nature in which they were originally developed. Your proposal demonstrates the commitment we share to maintaining American tobacco farmers' livelihood and income, and I look forward to working with you and all tobacco Members to achieve these goals.

Tobacco - farmers

Dear Congressman Etheridge:

Thank you for sharing with me your concern for the economic well-being of this nation's tobacco farmers and the communities in which they live.

As I have stated publicly, I am committed to the financial well-being of America's tobacco farmers, their families, and their communities. I will not support or sign any legislation that does not provide American tobacco farmers with a safe, sound, and secure future.

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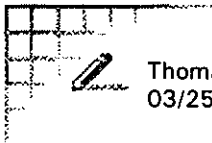
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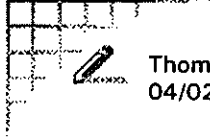
Thomas L. Freedman
03/25/98 08:07:09 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP
cc: Laura Emmett/WHO/EOP, Mary L. Smith/OPD/EOP
Subject: Tobacco Farmers Update

Ford's staff says Ford, Frist and Hollings are planning on telling McCain on Friday that they have draft language based on the Ford/Robb compromise we have been discussing and asking that it be included in McCain's bill. Of course, we have heard they are close to presenting this before, but this sounds pretty legitimate. The provision would cost \$2.1 billion a year, and include an \$8 buy out for flue cured. Dallas Smith will do a section by section as soon as language is available and work with OMB to do an internal cost projection. Helms came close to signing on to the position this afternoon, but has evidently decided he still is not convinced a comprehensive bill will ultimately move. When he does agree and the measure is tinkered with, it seems likely there will eventually be close to a consensus of the 12 tobacco state senators to sign on. (Senators like Faircloth will wait for Helms). Interestingly, Helms says he surveyed the Caucus and thinks he can't get enough R votes for such a generous package -- so according to Ford it is possible the package could be subject to downsizing pressure with Helms helping to broker that. In addition, we (along with Dallas and an OMB person) met again with the leading flue cured grower groups today who say they are pushing Helms to back the Ford position. The farmers say that when the provision gets included in McCain (and if liability is in) they will ultimately be willing to lobby for the whole comprehensive bill and expect their membership to favor it as well. I've given all this detail to Cynthia and discussed our reaction. If the numbers check out, when we get asked I think we can say that this is one way that satisfies the President's fifth principle on protecting farmers (but not saying it is the only one we'd endorse). Dallas agreed with this line.

Tob - rec - Farmers



Thomas L. Freedman
04/02/98 07:42:43 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP
cc: Laura Emmett/WHO/EOP
Subject: KY Farm Summit Announcements

One announcement we could think about is having the President set up an advisory group to coordinate federal, state, & local programs and farm organizations as tobacco legislation is implemented. Glickman could chair it, and request the various Governors to designate local leaders who could meet in DC and help implement whatever legislation is passed. The bill will obviously have a tremendous effect on some communities and he might send a message that the communities will not be left powerless, but have a role in how transition money is spent.

As we think about what the President could do in KY it may be of interest that he has previously been invited to come to KY by an activist group for a farm summit with tobacco farmers. (Clinton met with the group as part of his small farmers meetings -- they are a little lefty). I've left their material with Cynthia.

THE WHITE HOUSE

4/6

Thorgood
ELENA Kagan
RAHM
ED HEWITT

Secy Glickman did the
following briefing re: his
trip last wk to
KY on tobacco.

KRIS

Secretary Glickman Visits Kentucky - April 3, 1998

Secretary Dan Glickman during his visit to Central Kentucky on Friday, April 3, 1998:

- met with 25 farmers at the Woodford County tobacco farm of Robert Richardson II
- attended a Farm Forum at Gentry Tobacco Warehouse in Lexington with 600 to 700 farmers, government officials and agribusiness leaders.

Farm Forum - April 3, 1998 - Lexington, Kentucky

Location Gentry Tobacco Warehouse

Estimated Number of Producers Attending 600 to 700

Major Players Participating in Forum

- Governor Paul Patton
- Congressman Scotty Beasler (D., 6th District)
- Under Secretary Jill Long Thompson
- Deputy Under Secretary Dallas Smith
- Tom Freedman, White House Domestic Policy Advisor
- Billy Ray Smith, Kentucky Commissioner of Agriculture
- Hampton Henton, Jr., USDA Farm Service Agency State Executive Director (KY)
- Tom Fern, USDA Rural Development State Director (KY)
- David Sawyer, USDA Natural Resources Conservation Service State Conservationist (KY)

1 Issue Tobacco - Inclusion of the farmer in any potential tobacco settlement.

"We are not here to save tobacco. We are here to save the family farm. But you can't do one without the other in Kentucky." *(Rod Kuegel, tobacco farmer and President of the Burley Tobacco Growers Cooperative Association)*

Continued on next page

Secretary Glickman Visits Kentucky - April 3, 1998

Farm Forum - April 3, 1998, *Continued*

#1 Issue

Continued

Picking up on the theme, Governor Patton urged that 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 many Kentuckians enjoy the value of rural living." (*The Courier-Journal*, April 4, 1998) Governor Patton announced at the Forum the creation of a Commission on Family Farms to focus on implementation of a federal tobacco settlement.

General Mood at the Forum

The general mood of those attending the Farm Forum was upbeat. However, some tobacco farmers feel USDA focuses on grain farmers and forgets the small tobacco farmer. Farmers are concerned that "they are setting on a fence (with the pending tobacco settlement) and they do not know which direction they will fall". One farmer expressed frustration that USDA does not provide crop insurance on "new" crops (crops not traditionally grown commercially in the area); however, the push is for tobacco farmers to diversify.

Hottest Questions

- **TOBACCO:** Will the administration support continuation of the federal supply management program for tobacco, with no costs to the tax payer (i.e. tobacco settlement)?
 - **HEMP:** Why is the government not moving to help the U.S. hemp industry (i.e. conflict between agriculture and the anti-marijuana issue)?
 - **\$ TO CORPORATIONS:** Why USDA gave \$7.1 million dollars to one corporation? (Federal Empowerment Zone - Clinton County: USDA grant to the city of Albany to expand their water treatment plant to allow Cagle, Inc. to build a 275,000 square foot chicken processing plant.)
-

Continued on next page

Secretary Glickman Visits Kentucky - April 3, 1998

Dallas Smith
Meeting with
African American
Farmers
April 2

Deputy Under Secretary Dallas Smith met with 7 African American farmers and government officials in Brandenburg, Kentucky on April 2, concerning the pending tobacco settlement legislation.

Hottest Question: Will we be discriminated in the buyout, like before?

Price-support program called crucial safety net

THE COURIER-JOURNAL
SATURDAY,
APRIL 4, 1998



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

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



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

stability and is fair to the farmers and 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 over-produce 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 many 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 want 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 5 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.

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 15,000 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."

Lexington Herald-Leader
Saturday, April 4, 1998

TOBACCO IN KENTUCKY

ISSUE:

The majority of burley tobacco producers in Kentucky favor continuation of the federal price support program.

IMPORTANCE:

Burley tobacco is the primary crop in the state, with revenues of more than \$1 Billion in 1997, on the 696,485,163 pounds grown. Producers are happy with the federal price support program, and are worried about the future of the program.

TALKING POINTS:

- Tobacco sales account for nearly 30 percent of the total crop revenue for the state. Nearly \$4 billion is generated annually from the production and sale of tobacco.
- The 1992 Ag Census listed more than 59,373 tobacco producing farms, with more than 268,140 acres planted to tobacco.
- Kentucky tobacco farms average 4.5 acres planted to tobacco, far lower than many surrounding states. Alabama averages 23.9 acres of tobacco per farm and South Carolina has an average of 25.5 acres per farm.
- Of the 151,668 tobacco quotas and allotments in 1996, 134,424 were for burley tobacco.
- In 1996, 167,695 owners were listed for burley quotas
 - 98.7 percent were listed as white
 - 1.2 percent as black
 - .1 percent as other
 - 66.7 percent male
 - 31.7 percent female
 - 1.6 percent corporate entity.

BACKGROUND:

Large farms dominate Kentucky's burley tobacco business. Last year 125,000 Kentucky farms sold 474 million pounds of burley tobacco, but 70 percent of the total weight came from just 26 percent of the farms. Increasingly, small quota holders have leased or rented their rights to large farms. Some very large quota holders, such as the horse farms near Lexington, also lease out their quotas. Up to a third of the tobacco grown in Kentucky is grown by someone besides the quota owner. There is much support for the LEAF Act proposed by Senator Wendell Ford.

Kentucky Burley Tobacco Farms	Estimate (1997 Burley Tobacco)		
	Number of Farms	Number of Pounds	Pounds per Farm
Grows ONLY Farm Quota <i>(Does not lease in or out)</i>	27,183	122,137,986	4,493
Grows Farm Quota PLUS Leases in Pounds	24,340	196,015,410	8,053
Grows ONLY Farm Quota <i>(Quota Raised by Tenants)</i>	19,761	105,046,575	5,316
Grows Farm Quota PLUS Leases in Pounds <i>(Quota Raised by Tenants)</i>	15,843	133,538,504	8,429
Leases Away Entire Quota	57,544	139,746,688	2,429

CONTACT: Verner Grise, Tobacco and Peanuts Division (Office) 202-720-5291;
 (Home) 703-354-1887 or Sue Austin, Chief Tobacco Division, State Office, (606) 224-7601.

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Tobacco - Tobacco Settlement: Farmers [2]

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- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

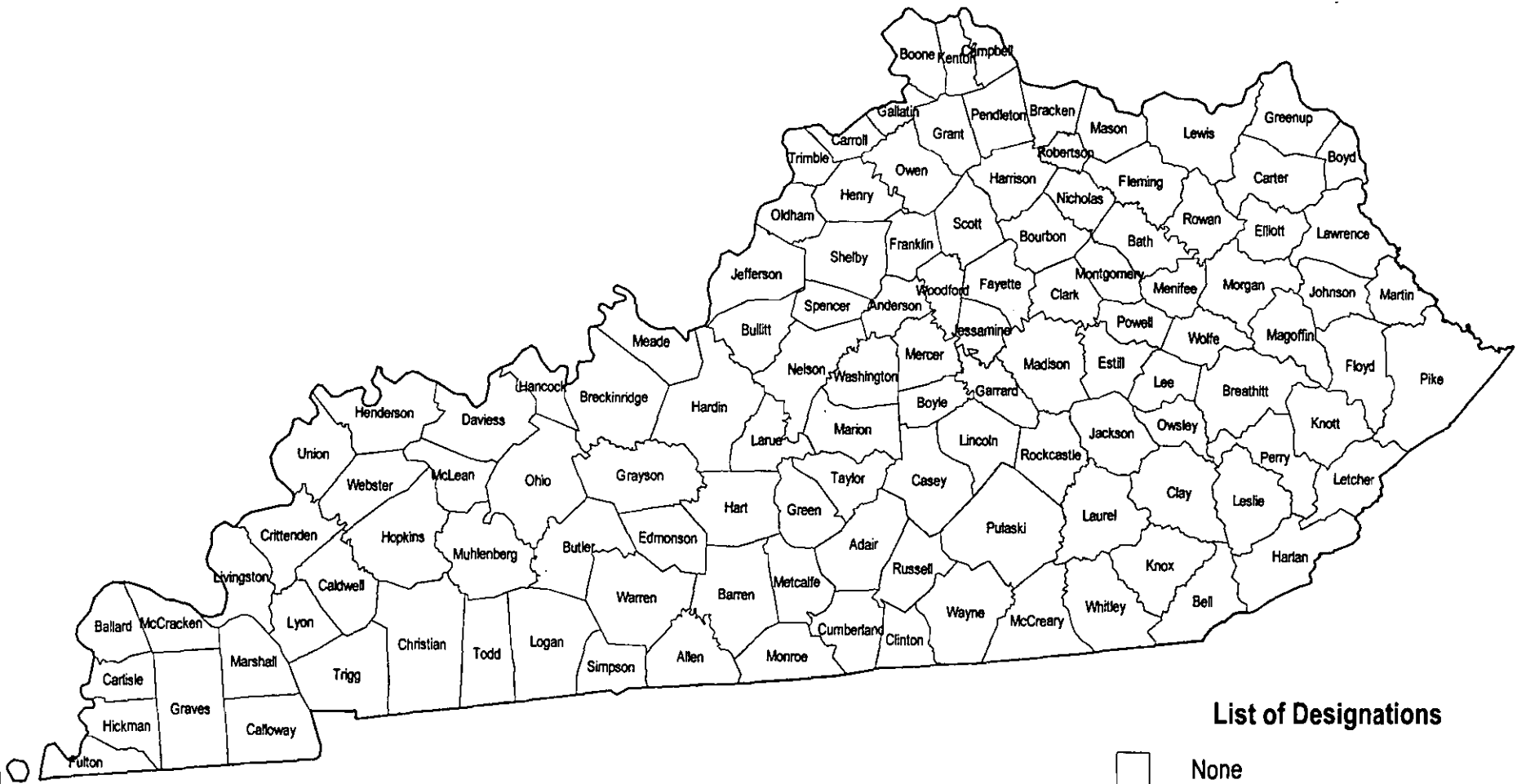
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0013

PRESIDENTIAL DISASTER DESIGNATIONS AS OF April 6, 1998

KENTUCKY

33 PRIMARY & 22 CONTIGUOUS COUNTIES



List of Designations

- None
- Primary
- Contiguous

KENTUCKY DISASTER ASSISTANCE

AS OF MARCH 26, 1998

OVERVIEW

Disaster Conditions and Areas of the State Affected

On March 1, 1997, the far western part of the State suffered the worst flooding since the 1937 flood. More than 130,000 acres were under water along the Mississippi and Ohio Rivers. Wheat and forage crops in flooded areas were a total loss. Some areas of the State were hit by spring tornadoes, drought and early freeze.

The eastern part of the State suffered from severe winter storms, that occurred February 4-6, 1998.

The State of Kentucky has suffered from the following types of disasters:

- severe flooding, heavy rains, tornadoes, drought, early freeze and winter storms.
-

Livestock and Crops Affected

Livestock affected by disasters include:

- cattle and hogs drowned. (1997)

Crops affected by disasters include:

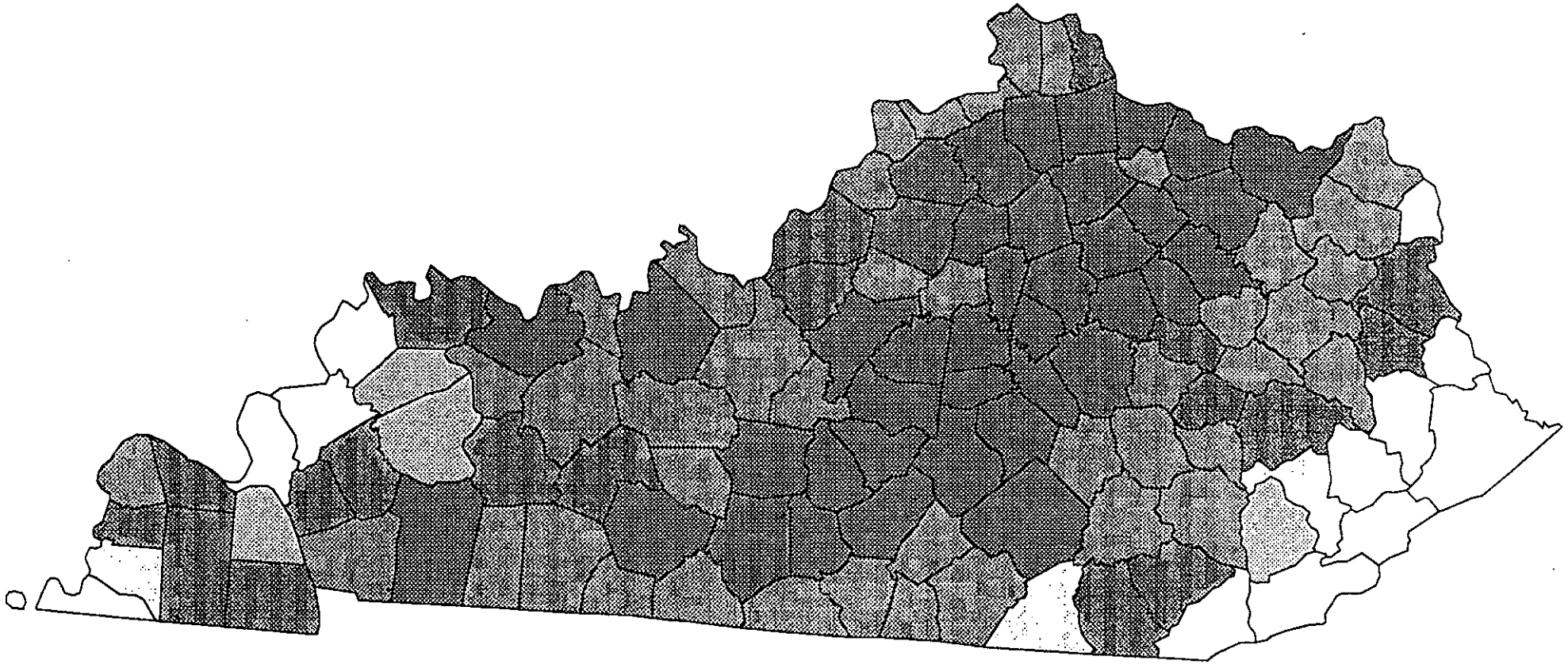
- stored grain damaged due to flooding -1997
 - forage crops - 1997
 - wheat - 1997
 - burley tobacco (delayed planting due to wet spring and drought) - 1997
 - corn and soybeans (drought and early freeze) - 1997.
-

FSA Programs and Types of Assistance

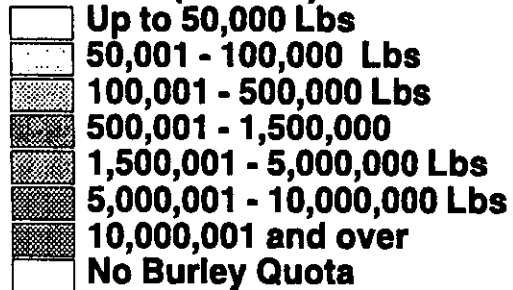
FSA has provided assistance to Kentucky producers by means of the following major disaster programs:

- Emergency (EM) loans:
 - 48 Kentucky counties approved for EM loans
 - 0 pending.
 - Noninsured Crop Disaster Assistance Program (NAP). Kentucky submitted 5 NAP area requests. Of those requests:
 - 1 area approved
 - 1 area disapproved
 - 3 areas pending
 - 0 areas canceled.
 - Emergency Conservation Program (ECP):
 - 64 counties approved.
 - Livestock Indemnity Program (LIP):
 - 20 counties approved. (1997)
 - 1 county approved. (1998)
 - Emergency Haying and Grazing of Conservation Reserve Program (CRP):
 - 2 counties approved. **FINAL**
 - Tree Assistance Program (TAP):
 - Assistance in the amount of \$14,712 to replace or rehabilitate orchard trees or grapevines damaged by natural disasters in FY 1997.
-

1997 Burley Quota - Kentucky



KY Quota (Pounds)

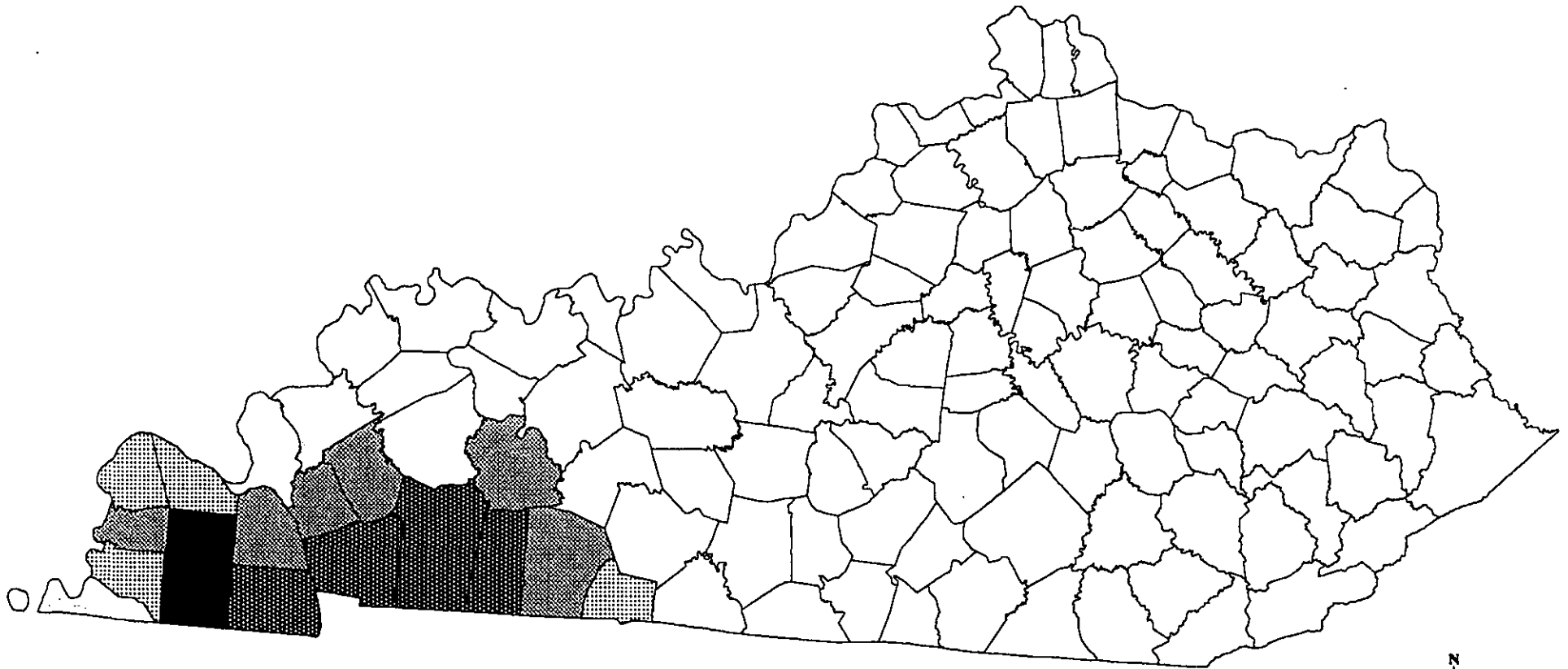


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Farm Service Agency

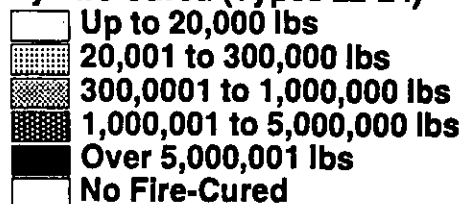
March 6, 1998



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



Ky Fire Cured (Types 22-24)

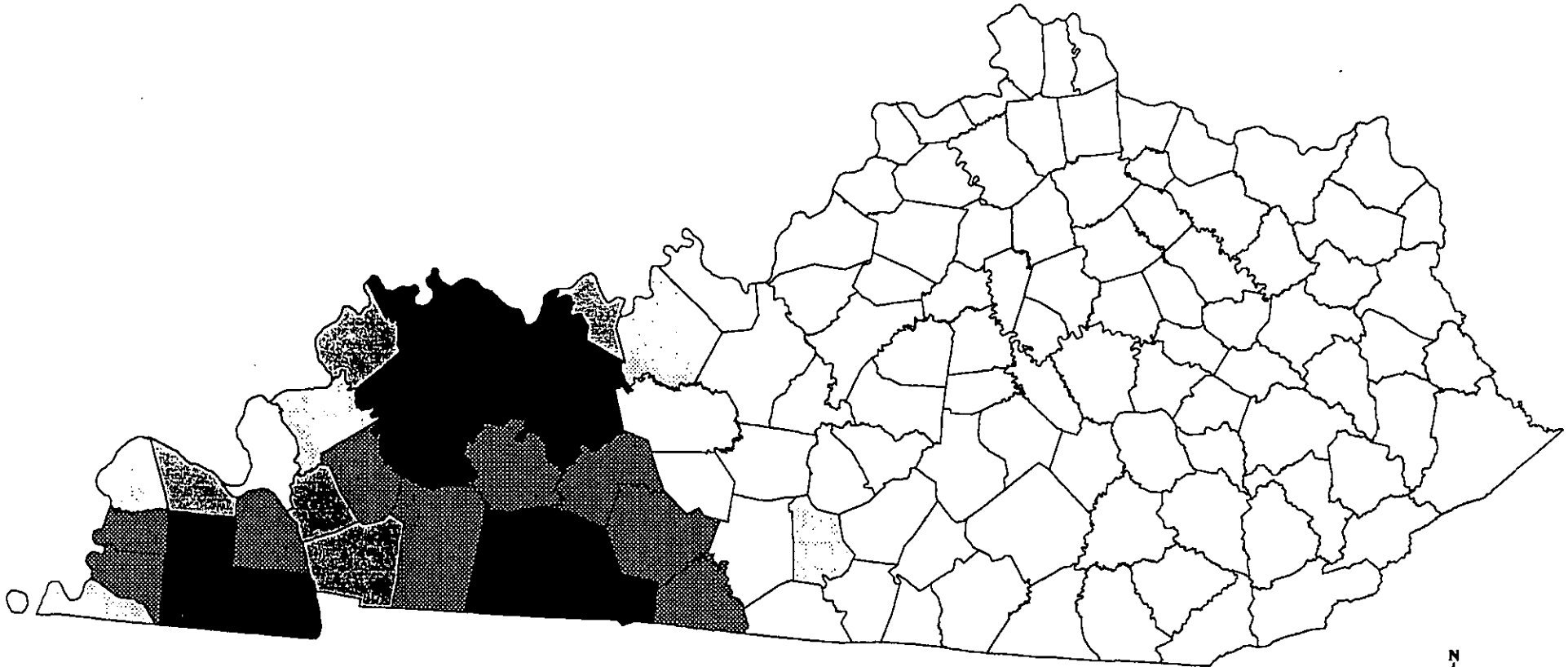


Source: USDA FSA
County File Upload 370
Other Kinds of Tobacco
1997 Farm Crop File
Summarized by County

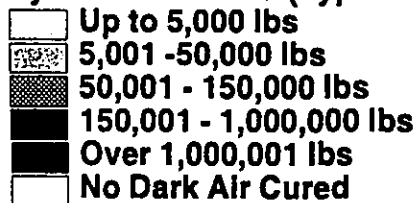


Prepared by
Farm Service Agency

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



Ky Dark-Air Cured (Types 35-36)

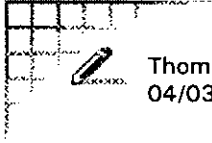


Source: USDA FSA
County File Upload 370
Other Kinds of Tobacco
1997 Farm Crop File
Summarized by County



Prepared by

Tob - 25 - farmers



Thomas L. Freedman
04/03/98 08:20:46 PM

Record Type: Record

To: Elena Kagan/OPD/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Tobacco grower and quota owners

Rob Mangus from Ford's office says they do not want the legislation to allow for quota owners who also grow tobacco to be able to get the \$8 buy out plus be eligible for the transition assistance. However, we did a conference call with Dallas Smith tonight who thinks that's what the actual legislative language does. We will try and reach Senator Robb's office over the weekend to see what their understanding of the language is.

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.

we've worked day and night to try and protect our farmers and 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 - for - farmers

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.

###

03/21/80 FRI 10:40 AM 202 447 0040

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.

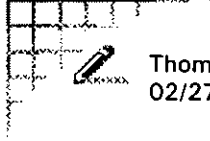
5. If the program is voted out by referendum, this does not trigger accelerated LEAF Act payments.

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 set - farmers



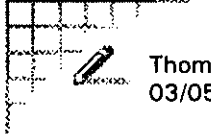
Thomas L. Freedman
02/27/98 07:43:19 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP
cc:
Subject: Tobacco farmers update

Mary, Cynthia and I had the meeting with Rob Mangus (Ford) and Ridge Schuyler (Robb) today along with Gotbaum and OMB staff, HHS, Jerry, and USDA. They are closer to an agreement than they have been: Mangus puts it at 80%, but are stuck on a couple of smaller problems. On the crucial issue of cost they agree it shouldn't go above \$2.1 billion a year. Ford is very strong on this and Robb agrees although they admit their proposal may currently go high. Timing-wise they are hoping to be ready to talk publicly by 3/12 and want to approach R tobacco senators soon. The current version of the compromise is based on treating flue and burley slightly differently -- both sides are ok with that. The problem comes from Robb's idea of dropping the level of subsidy. We will work with USDA and the senators to find some new option on this. The overall goal still looks feasible to them, a proposal the farmers groups and all 12 senators could be behind that is not offensive to the health community. Gotbaum agreed after the meeting that a proposal that came in at \$2 billion was worth supporting, despite the fact that it will likely offend his efficiency sensibilities. We will get back with Ford and Robb early next week.

Tob RT - farmers



Thomas L. Freedman
03/05/98 09:44:42 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

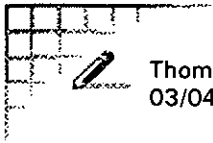
cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP

Subject: Re: Tobacco Farmers Update

In addition to the Hunt call, we should think about other ways to get Robb and Ford together. We could do a meeting with them, Bruce and Glickman. And Dallas Smith is drafting some more options that could be presented if the current impasse does not get broken.

On getting R's. I think our best bet is getting something we can agree with Ford on, and get him to deal with getting R's on it. He has by far the best relations here, with the LEAF act he got 6 tobacco Republican sponsors (both NC, Thurmond, Coverdell, McConnell and Frist). Second, if we can get the NC farmers to back a proposal -- we will be able to get them to push Helms and Faircloth or at least limit the chance the NC delegation will oppose the bill on what it does to farmers.

I should hear back from Robb's guy today.



Thomas L. Freedman
03/04/98 07:25:23 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP

cc:

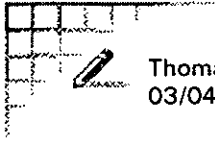
Subject: Tobacco Farmers Update

Mangus (Ford) called back saying he would be fine if we can pull off the compromise from the last e-mail. Robb's staffer is meeting with his farmers today. He is pretty adamant about needing a cut in the price of tobacco. He will report back tomorrow on whether Robb can move a bit more. Mangus feels that if we can get a compromise we would have a strong shot at the 4 D tobacco Senators signing on and getting some of the crucial D congressmen (Baesler etc.).

The mood is somewhat more pessimistic on Faircloth and Helms. Staffers think Helms and Faircloth either: (1) believe there will not be a tobacco bill and would rather not deal with the issue until they have to; and (2) they are not pro-tax and don't want to be in a position of supporting a tax. They feel McCain has been muddled in dealing with these senators -- not indicating what he is willing to do. McCain has indicated to Ford previously that he will continue to use the LEAF act in his bill, or perhaps the \$2 billion Conrad pot of money. Senator Ford feels that means the issue will get resolved on the floor because there will not be a consensus before then.

Finally, NC farmer representatives are gravitating towards a buyout for farmers who choose it and a system where remaining farmers can still sell/rent their quota -- a position currently not represented at the table (Robb doesn't want quota to be sold). Lugar has not had luck in moving his bill in the Ag. committee with the tobacco senators. McConnell is actually a free marketer but can't say it for political reasons, Helms and Lugar of course don't get along. I don't know where Coverdall is.

I've continued to press Robb to come in on a joint bill. Another step might be for you to call Governor Hunt -- the NC farm bureau is important in this all. Since the NC Senators aren't negotiating perhaps we can get Hunt to represent their interests and ultimately deliver their commitment.



Thomas L. Freedman
03/04/98 11:30:11 AM

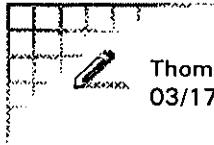
Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP
cc:
Subject: Tobacco Growers Negotiations

Two sticking points and where we are at on solutions:

1. The Robb proposal for a 40 cent decline in the value of quota to improve export ability of growers. Rather than have a figure in legislation, (some like it high, some low) I proposed a USDA study to determine the appropriate level which would then be transmitted to Congress (the figure is set eventually in legislation).
2. A double dipping problem in which flue-cured quota owner/growers get a buy-out but remain in the program. Robb argues that to be made whole this group should be compensated for the lose of the quota as an asset for sale or rent, even though they remain in the program. I've suggested that for owner/growers we diminish the buy out figure of \$8 by the new value of the license they receive.

Everyone still agrees to \$2.1 billion a year and I have stressed the urgency of reaching an agreement very soon. Robb is going back to his growers to see if he can do this. USDA has concerns: they think growers will be distrustful of USDA recommendations on price. They also have doubts about setting a fair estimate on the value of a license, but we are setting a value on a quota so I don't see why this has to be an impossible obstacle.



Thomas L. Freedman
03/17/98 12:28:23 PM

Record Type: Record

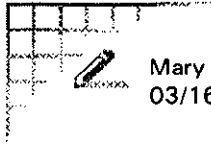
To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP
cc:
Subject: Flue Cured Proposal

We meet with flue-cured producers from several states yesterday and they outlined their agreed-upon wish list which is below. Senator Ford will be sitting down with Helms this week to see if they can come to an agreement. Ford is basically willing to go along with \$8 a pound, putting quota into the hands of actual producers, and the purchase intention (points 1, 3, and 4). He thinks Helms will find the package excessively greedy and not defensible for giving an extra \$4 for transition assistance (point 2), and may not support a price reduction (point 5). They both believe they will have a floor fight with Lugar and are inclined to send the message to farmers now to be realistic. That may work well to keep the proposals from expanding excessively and allow us to maintain an ability to arbitrate. We've asked OMB and USDA to price this out as best as they can without those details which are still being argued about.

FLUE CURED TOBACCO'S POINTS FOR SETTLEMENT CONSIDERATION

1. Quota compensation for quota owners at \$8 per pound.
2. Transition payments for tobacco producers at \$4 per pound.
3. Place quota into the hands of actual producers.
4. Domestic purchase intention commitment.
5. Price support reduction based on satisfactory resolution of above 4 items.

Tobacco - arrangement - farmers



Mary L. Smith
03/16/98 12:14:20 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Public Health/Farmers Press Conference Today

I went to the press conference today. The President's statement was read. The National Black Farmers were there, and they asked that the President assist them as he stated he would in the meeting he had in December. Questions were asked about what it would take to make farmers whole, and Andrew Shepherd from the Flue-Cured Tobacco Cooperative Stabilization Corporation answered with the following three points: 1) compensation for quota-holders; 2) transition payments to tobacco communities; and 3) cigarettes sold here should contain U.S. tobacco. Rod Kugel from the Burley Tobacco Growers Cooperative indicated that he thought that all the farmers were only a couple weeks away from uniting behind one legislative proposal. Thanks, Mary

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Thomas L. Freedman/OPD/EOP
Cynthia A. Rice/OPD/EOP
Barbara D. Woolley/WHO/EOP

CAMPAIGN for TOBACCO-FREE Kids

FOR IMMEDIATE RELEASE
March 11, 1998

Contact: Jennifer Thorp/202-296-5469
Don Marshall/202-289-5900

**** MEDIA ADVISORY ****

**TOBACCO FARMERS AND PUBLIC HEALTH ORGANIZATIONS
TO RELEASE CORE PRINCIPLES DOCUMENT,
NEW POLLING DATA ON TOBACCO**

Washington, DC – On Monday, March 16, another historic announcement will take place on the tobacco front: tobacco growers and public health organizations will come together and release a set of mutually agreed upon core principles under which national tobacco control policy should be enacted. The principles that will be announced include but are not limited to public health objectives, the tobacco program, economic development funds, and the production and importation of foreign tobacco.

A poll of 400 Kentucky farmers will also be released. The poll examined farmers' views on the future of tobacco farming and tobacco policy.

WHO: **Rod Kuegel**, President/Burley Tobacco Growers Cooperative, Inc.
 Andrew Shepherd, Vice President/Flue-Cured Tobacco
 Cooperative Stabilization Corporation
 Bill Novelli, President/CAMPAIGN FOR TOBACCO-FREE KIDS
 Bill Broome, Board Member/American Heart Association
 J.T. Davis, Secretary/Concerned Friends for Tobacco
 Scott D. Ballin, Senior Policy Consultant/CAMPAIGN FOR
 TOBACCO-FREE KIDS

WHAT: Release of Tobacco Producers' Core Principles Under Which
Tobacco Control Policy Should Be Enacted

WHEN: Monday, March 16
 10:00 a.m.

WHERE: Main Hearing Room
 U.S. House of Representatives' Committee on Agriculture
 1300 Longworth House Office Building
 Washington, DC

###

CORE PRINCIPLES STATEMENT

BETWEEN

THE PUBLIC HEALTH COMMUNITY

AND

THE TOBACCO PRODUCERS COMMUNITY

In the spirit of cooperation and with a commitment towards—

- Reducing disease caused by tobacco products, and
- Ensuring the future prosperity and stability of the American tobacco farmer, the tobacco farm family, and tobacco farming communities,

the undersigned organizations and individuals call on the President of the United States, the Congress of the United States and all States Attorneys General to commit to supporting and enacting effective legislation and policies that include the following points of agreement:

That on issues related to public health there is agreement:

- 1. That it is in the best interests of the public health community and the tobacco producer community that FDA should have authority to establish fair and equitable regulatory controls over the manufacture, sale, distribution, labeling (including country of origin) and marketing of tobacco products, both domestic and imported, comparable to regulations established for other products regulated by the FDA. Such regulations shall have as their goal the protection of public health and the assurance that users of tobacco products are provided with full and complete information about the products they are using. In order to accomplish this goal industry information and research should be made available for public review.**
- 2. That there should be strong complementary federal, state, and local laws which guarantee that tobacco products are not marketed, advertised, sold or otherwise made available to anyone under the age of 18.**
- 3. That prohibition of the use of tobacco products by informed adults of legal age is not a goal of public health advocates or tobacco producers.**
- 4. That there should be mechanisms in place to prevent the importation of foreign tobacco, whether in raw agricultural leaf, reconstituted or homogenized leaf, tobacco by-products, or any other form or alteration of tobacco that does not meet pesticide residue requirements and other quality controls required for domestically grown and produced tobacco.**
- 5. That if there is an increase in the federal excise tax in any legislative proposal, a portion of the tax would be used for carrying out public health initiatives, and a portion of the tax would be used to assist farmers and their communities in addressing their economic dependence on tobacco.**

That on issues related to agricultural production of tobacco there is agreement:

- 1. That a tobacco production control program which limits supply and which sets minimum purchase price is in the best interest of the public health community and the tobacco producer community. From a harm reduction standpoint, it is in the best interest of the public health community to support enhanced assurance of quota stability for domestic production of tobacco.**

- 2. That any costs associated with the administration or operation of a tobacco control program be guaranteed to be paid under any legislative proposal, and that the federal government no longer bear the costs for the administration or operation of such a program.**

- 3. That there be greater cooperation between the tobacco growing community and the public health community to ensure that quality control and health and safety standards are maintained in the production of tobacco, both domestically and abroad, and that industry information and research should be made available for public review. Agencies with public health responsibility, including the FDA (whose authority over manufactured tobacco products should not extend to on-farm tobacco production) should work cooperatively through structures already in place in the Department of Agriculture and Environmental Protection Agency so as not to extend any additional control and bureaucracy over the on-farm production of tobacco.**

- 4. That tobacco quota holders and tobacco lease holders should be given the opportunity to have their quota compensated for at a fair and equitable level, and that the protection of tenant farmers should be given special consideration as part of this process to ensure that they are not adversely affected.**

- 5. That a significant amount of money be allocated so that tobacco growing states and communities have options and opportunities to ensure their economic viability into the 21st century. There must be significant involvement of tobacco growing communities in determining the allocation of these funds. Decision making for plans to enhance the economic infrastructures of these communities should be governed primarily through community based input. Agricultural-based development in particular ought to be given a high priority.**

Signatories

Burley Tobacco Growers Cooperative, Inc.

Flue-Cured Tobacco Stabilization Corporation

Concerned Friends for Tobacco

Virginia Farm Bureau

Burley Stabilization Corporation

Allies for Tobacco, Inc.

Commodity Growers Cooperative Association

Virginia Tobacco Growers Association

Halifax County (VA) Board of Supervisors

Center for Sustainable Systems

Virginia Agriculture Growers Association

National Black Farmers Association

Virginia Dark-Fired Tobacco Growers Association

Virginia Sun-Cured Tobacco Growers Association

Rural Advancement Foundation International

Virginia State Legislature

American Heart Association

American Public Health Association

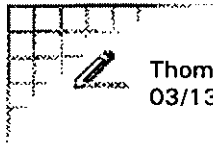
American Cancer Society

Americans for Nonsmokers Rights

American Association for Respiratory Care

American College of Cardiology

Tobacco - statement -
James



Thomas L. Freedman
03/13/98 02:01:54 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Laura Emmett/WHO/EOP
Subject: Draft Statement for Monday Press Conf.



FARM.31 Scott Ballin from the Campaign for Tobacco Free Kids called today asking if the President could give a statement to be read at their press conference with farmers and public health groups announcing their core principles. There are no members invited. I'll drop off the Campaign's draft release for the press conference. Attached is a draft statement.

I've talked to Ford and Robb's offices, as well as OPL and USDA who are fine with doing it. I also talked to the NC Farm Bureau which didn't sign on. The Farm Bureau wasn't really against the coalition and principles, and wouldn't be unhappy if we gave a general statement of support. They didn't sign on because they think the principles should include immunity and they are worried that the public health groups may end up in a different place than farmers so they "don't want to get in bed now."

The main objection I can think of might be from Lugar (the principles come out in favor of continuing a tobacco program, he doesn't). But the statement I've attached would just applaud the coalition for working together and trying to get a bill, I don't think we need to say more than that. I talked about it with Tarplin and he thought the attached statement would be fine.

Message Sent To:

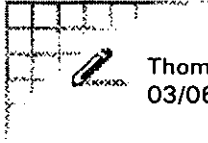
Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Cynthia A. Rice/OPD/EOP
Jerold R. Mande/OSTP/EOP
Mary L. Smith/OPD/EOP

tobacco - rrr - farmers

**STATEMENT OF THE PRESIDENT OF THE UNITED STATES
MARCH 16, 1998**

I congratulate the public health and tobacco producer communities for working together to promote bipartisan, comprehensive tobacco legislation that dramatically reduces youth smoking and protects American farmers and their communities. I am firmly committed that tobacco legislation protect farmers and their communities, and have made this commitment one of the five key elements that I will insist upon before signing tobacco legislation. I hope you will continue your efforts to expand your coalition and to enact comprehensive tobacco legislation this year that protects our Nation's children.

tobacco - settlement -
farmers



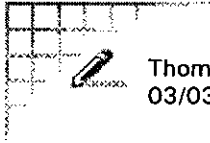
Thomas L. Freedman
03/06/98 05:36:18 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Cynthia A. Rice/OPD/EOP, Elena Kagan/OPD/EOP, Mary L. Smith/OPD/EOP
cc:
Subject: erskine to house

Erskine should be a little cautious about going to the House on tobacco farmers. Most of them are waiting to see if Robb and Ford work out a deal -- Etheridge has (confidentially) asked to introduce what they come up with and thinks he can attract the key members. In the meantime, Baesler is going with a bill that is another \$15 billion more than the Ford bill. If it becomes a separate bidding war in the House I think that we may get expectations raised for farmers that won't be met.

Tobacco - reed - farmers



Thomas L. Freedman
03/03/98 12:10:10 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Mary L. Smith/OPD/EOP

cc:

Subject: Harkin and Tobacco Farmers

Ford's office wanted to make sure we knew they and the other tobacco state senators dislike Lugar and would oppose Harkin-Chafee if it is included in that measure.

THE WHITE HOUSE
WASHINGTON

March 10, 1998

MEMORANDUM TO THE CHIEF OF STAFF

FROM: Bruce Reed
Subject: Tobacco Farmers

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. There are two main types of tobacco -- flue-cured and burley. Flue-cured is common in North Carolina, while burley is more popular in Kentucky.

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. The President, however, made protecting tobacco farmers and their communities one of the five key elements of his plan for comprehensive tobacco legislation.

Status in Congress:

Three types of legislative approaches have been discussed. First, Senator Lugar has 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 has 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 has proposed legislation that would combine elements of both of the above approaches. He wants 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.

No consensus has yet emerged in the tobacco growing community as to the preferred approach. Senator Ford's proposal, the LEAF Act, appeals most to burley growers like those in Kentucky who have small farms and want to continue the quota program. Senator Robb's approach has gained some support from flue-cured farmers (based mainly in North 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. 1

Senators Ford and Robb have discussed a compromise bill that would treat flue-cured and burley tobacco differently. Under this approach, flue-cured growers would be bought-out with those continuing to grow tobacco operating under a license system like that supported by Senator Robb; by contrast, burley growers would remain subject to the quota system, with compensation for the decreased price of tobacco, as favored by Senator Ford. The major issue separating Ford and Robb at this point is Robb's belief that there should be a decrease in the legislatively-set price of flue-cured tobacco so it can be more competitive internationally. Senator Ford has opposed this proposal, and the Administration has expressed concern to Robb's staff that decreasing the price of tobacco is probably not compatible with our public health goals.

The Administration has encouraged the efforts of Senators Robb and Ford to develop a compromise proposal. Many members of Congress -- in both the House and Senate -- are also looking to Robb and Ford to agree on a proposal that all tobacco-state members could sign on to.

1-30-98

Tobacco Farmers

Ag:

Disarray in farm community

Quota holders very interested in buyout idea - Lujan

e.g. - 100,000 lbs of quota

\$8 per pound (Lujan)

going to have some million dollar payments

~~must~~ sell all under Lujan

renters get \$1.20 per pound

typical rent = .50 a pound.

(but for however long you farm -
in your family does)

Lujan-all \$ up front

\$15 - all in 1st 3 yrs

Farm group leadership - concerned -

don't think they will ever pass such lge payments

Robb Lill -

buys out ^{at} 8 - 5 installments

also - common sentence

License system - ~~licensing~~ (new quota syst!))

keeps regulated mkt.

annual
3.5 b for 1st 5 yrs.

after? ~~probably~~ not much

Ford - keep quota syst! no buyout

compensates for loss of value of quota

2.1 b for each yr over \$ 10

renters also get money \$4 per pound

equity maintenance system

(Horn)

Baerle - cos. agree to buy a certain amt.

FREE!

But he probably wants above as well.

(Ky/Tenn/NC)

burly v. three-cured.

small - don't use all quota
like maintenance

lge farms
like buyout

but WTO may demand import
restrictions come up

56- buy out quota holders

keep limits on imports

(if don't - venters may suffer - ↓ market; int'l comp)

time-curve should be substantially ahead

low cost - income maint for quota-holders + tob. farmers

- That \$ amt per yr
for life (w/ life exp)

hi cost - buy out quotas (but how many will take?)

hiest cost - buy out quotas + provide income support

VA - Leaf firms propose aid to growers - 2/7/98

<http://www.gateway-va.com/pages/news/tobac/1998/0207tob.htm>

Tobacco - settlement - farmers



News Index
Feedback
Gateway Virginia

Saturday, February 7, 1998

Leaf firms propose aid to growers

BY PETER HARDIN
Times-Dispatch
Washington Correspondent

WASHINGTON — Philip Morris Cos. and three rival cigarette makers, seeking support for the proposed national tobacco settlement, yesterday floated an \$11 billion, 25-year plan to help growers weather the expected drop in demand for tobacco.

J. Phil Carlton of North Carolina, a leading lawyer for the tobacco companies, said the plan was a "discussion draft" and not a specific proposal by the industry.

"The position of the companies is that the growers should come up with the plan that they want. . . . They have not reached a consensus. We hope they will. We hope this will help them do that," Carlton said in a conference call with reporters.

The plan is less generous than a \$28.5 billion approach sponsored by Sen. Wendell K. Ford, D-Ky., a \$22.5 billion plan by Sen. Charles S. Robb, D-Va., or a \$15 billion buyout bill by Senate Agriculture Committee Chairman Richard G. Lugar, R-Ind.

A Pittsylvania County tobacco grower, C.D. Bryant, called the draft plan woefully inadequate to meet growers' needs.

"I think this plan stinks to high heaven. I would never go for it," said Bryant, who is president of Concerned Friends for Tobacco, a political action committee.

The industry draft was circulated to more than 70 members of Congress in a letter by Carlton dated Thursday. It outlined principles that Carlton said could compensate quota holders and growers with \$6.5 billion over 25 years.

In addition, the draft would allocate \$1.8 billion to funding the government's tobacco program. It would pump \$2.67 billion into economic aid for tobacco-dependent communities over 10 years.

Big Tobacco is battling to win approval in Congress of the \$368.5 billion proposed settlement deal, which would give the companies broad legal protection in exchange for making multibillion-dollar payments and taking measures to cut youth smoking.

Leaders all the way up to President Clinton have pledged that tobacco growers must be protected if comprehensive legislation is passed.

Scott Ballin, a consultant to the National Center for Tobacco-Free Kids, considered the cigarette makers' draft as an effort to shore up support for the settlement.

"The companies really do need the farmers for political protection in all of this," Ballin said.

Arnold Hamm, assistant general manager of the Flue-Cured Tobacco Cooperative Stabilization Corporation, said it is strategically important to the tobacco companies "that the farmers be on the same page."

The draft for growers, Hamm said, reflected a serious attempt but failed to provide enough money for flue-cured growers to protect their future.

Concern over the growers arises because they were left out when the cigarette giants made the deal with 41 state attorneys general last year in an effort to block expensive litigation.

Robb has proposed ending the federal government's quota system and setting up a private, grower-run system to limit tobacco production. Robb also would buy out all existing quotas from owners. Sen. John W. Warner, R-Va., has signaled support for the Robb plan.

[Metro and Virginia Stories Index](#)

<u>Richmond Times-Dispatch</u>	<u>Feedback</u>	<u>News Index</u>	<u>Gateway Virginia</u>
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THE NEWS & OBSERVER
Saturday
February 7, 1998

N.C. | NEXT STORY

Tobacco-support issue alarms farmers, leaders

This year will be a crucial one for tobacco farmers, Gov. Jim Hunt tells the growers' association.

By BOB WILLIAMS, Staff Writer

There was something quite different served up before the traditional barbecue lunch at the annual meeting of the state's tobacco growers in Raleigh on Friday -- a heaping helping of political and economic reality.

It was dished out by everyone from Gov. Jim Hunt to U.S. Rep. Bob Etheridge, from farm group leaders to agricultural economists.

The head of the growers' association went as far as to declare that the federal price support program for tobacco was probably broken beyond repair and might have to be abandoned.

Such talk would have been considered heresy at such grower meetings in the past, but this year it actually drew a standing ovation from the thousands of farmers that packed into the Holshouser Building at the state fairgrounds.

But unlike past grower meetings, this year's gathering was played against the backdrop of the proposed, \$368 billion national tobacco settlement now under debate in Washington. Everyone was worried, from Hunt on down.

"I don't think there is any question that 1998 will be the toughest year the tobacco growers of North Carolina have ever faced," Hunt told the group. "In all sincerity, I believe this year will determine if there is a future for tobacco."

In the meantime, cigarette makers late Friday unveiled an \$11 billion, 25-year draft plan to protect growers, quota holders and tobacco-dependent communities.

That plan will join a half-dozen similar ones now being circulated in Washington.

Among other things, it would include:

- \$2.67 billion over 10 years in block grants to help tobacco-dependent communities.
- \$1.82 billion over 25 years to cover the costs of continuing the federal price support program for tobacco.
- \$1.77 billion over 25 years to compensate tobacco growers who have to cut their production due to the settlement.
- \$4.77 billion over 25 years to buy out quota owners whose quotas are cut due to the settlement.

Back in Raleigh, Etheridge, a Lillington Democrat who represents the tobacco-rich 2nd Congressional District, said the industry has less support than ever in Washington -- and that growers were about the only sector of the tobacco industry still viewed with any sympathy by Congress.

"We've got one hell of a fight on our hands to make sure there

is some kind of settlement and that growers and quota holders get some money and protection out of it," Etheridge said.

But the longtime head of the Tobacco Growers Association of North Carolina said he thought it might be possible for Congress to provide some protection for growers and quota holders even if a national settlement is not adopted.

"I believe Washington will come up with some money to help protect the growers and quota holders, settlement or no settlement," said Charles Harvey, the group's executive vice president. "We should go for the money first and worry about production controls later. I, for one, think we need to be prepared to let go of the program if that's necessary."

Preservation of the current tobacco program is at the heart of the plan floated by cigarette makers on Friday, according to Phil Carlton, a former N.C. Supreme Court justice who has been the cigarette manufacturers' lead negotiator on the proposed settlement.

Carlton stressed that the latest plan was "a discussion document," not an ironclad proposal by the cigarette makers.

He said the plan would be contingent on congressional approval of the original \$368 billion settlement proposal worked out last June with 41 states that had sued the tobacco industry to recover their Medicaid costs for treating smokers.

Carlton said grower groups hadn't seen the latest plan yet.

"The position of the companies is that the growers should come up with the plan they want," said Carlton in a telephone interview from Washington on Friday. "We hope this will help them reach a consensus."

Bob Williams can be reached at 829-4656 or bobw@nando.com

[[TOP](#) | [NEXT STORY](#)]

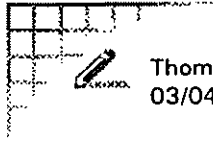
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THE NEWS & OBSERVER

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 Raleigh, North Carolina

tobacco - farmers



Thomas L. Freedman
03/04/98 09:40:29 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP

cc:

Subject: FYI. SC Tobacco farmers mtng.

We (Dallas Smith, B. Wooley and I) met with the SC farmers group. They had just come from a meeting with Hollings. They were a pro-buy out group. Some grew tobacco, some didn't. They said Hollings kept his cards close to his chest and just said he was pro-farmer. We'll tell Minyon we did the meeting.

Tobacco - settlement - farmers



SOUTH CAROLINA FARM BUREAU FEDERATION

POST OFFICE BOX 754 • COLUMBIA, SOUTH CAROLINA 29202 • (803) 796-6700

To: Elena Kagan / WW 2nd FL.
Mavis Echaveta " 01

Re: Myron Moore

Elena / Mavis:

Practical/Action -
What do you
think? How about
it? Time + someone
to meet with
with them?

I rec'd the attached fax ^{Elena}
today - suppose someone gave
my name. I haven't spoken
with them personally.
Would it be possible to have
someone review & make
the appropriate decision.
& contact them regarding this
memorandum. Thanks
Myron



SOUTH CAROLINA FARM BUREAU FEDERATION

POST OFFICE BOX 754 • COLUMBIA, SOUTH CAROLINA 29202 • (803) 796-6700

February 26, 1998

The President
The White House
1600 Pennsylvania Avenue NW
Washington DC 205000

Dear Mr. President:

As tobacco farmers, we are obviously not in complete agreement with your policies affecting our industry. But we are pleased that you have expressed a willingness to take our wellbeing into consideration in developing your plans and programs for the future of tobacco in this country.

Next week, on March 2 and 3, five of us will be in Washington, D. C., from South Carolina. We would like very much to meet with someone in your Administration to discuss tobacco policy from the farmers' perspective.

We would be extremely pleased if this could be arranged for us. We could meet before 3 p.m. on March 2, or any time on March 3.

I look forward to a productive and informative discussion, and appreciate your concern for America's farmers.

Sincerely,

David Winkles
President

Cc: Minyon Moore

Yahoo - Tobacco 'buyout' lures growers, U.S. lawmakers

http://biz.yahoo.com/finance/980203/tobacco_bu_1.htmltobacco - settlement -
farmers

[[Business](#) | [US Market](#) | [Industry](#) | [IPO](#) | [S&P](#) | [International](#) | [PRNews](#) | [BizWire](#) | [Finance Home](#)]

FBI

Tuesday February 3, 7:45 pm Eastern Time

Tobacco 'buyout' lures growers, U.S. lawmakers

By Charles Abbott

WASHINGTON, Feb 3 (Reuters) - The idea of a "buyout" is popular in parts of the Tobacco Belt, farm group leaders said Tuesday, but they called on U.S. lawmakers to fight to keep the decades-old tobacco program.

There was wide agreement during a House Agriculture subcommittee hearing that growers should be compensated if Congress approves the \$368.5 billion proposed tobacco settlement. One of its likely effects would be smaller demand for cigarettes and the tobacco used to make them.

However, a couple of lawmakers raised the possibility that lengthy defense of the tobacco program might block the chance to get a share of the settlement. The program sets the minimum price for tobacco and limits output.

"Do we continue to fight...and miss that opportunity? Here in Washington, you don't get something for nothing," said Representative Ron Lewis, Kentucky Republican. "The rank and file farmers have told me they want a buyout."

Georgia Republican Saxby Chambliss also pointed to the possibility of eventual loss of the program but Scotty Baesler, Kentucky Democrat, said: "The only way we'll lose the program is for us to destroy it" by backing a substitute.

Wayne Dollar, president of the Georgia Farm Bureau, said "the Georgia grower is in favor of a buyout." But, he said his group did not endorse any of three Senate plans -- an outright buyout of quota rights to end the tobacco program, compensation for lost sales but retention of the program, and privatization of it.

The Kentucky Farm Bureau said it wanted to keep the tobacco program with compensation as a complement.

Other groups said it was vital to retain some mechanism to limit tobacco output. The Virginia Farm Bureau favored privatization of the tobacco program. The Flue-Cured Tobacco Cooperative Stabilization Corp, a grower group, backed compensation to farmers coupled with retention of the current program.

Farm-state Republicans pointedly noted that President Clinton had included nothing in his proposed fiscal 1999 budget for tobacco growers.

While farm groups favored retention of the tobacco program, some economists say the program eventually would collapse due to shrinking U.S. tobacco use and the rising volume of foreign tobacco used in making cigarettes.

Related News Categories: [US Market News](#), [options](#)

Tobacco - retirement - farmers

ISSUES	LUGAR (S1313)	FORD (S1310)	ROBB (FLOOR STATEMENT)
QUOTA HOLDER BUYOUT	\$8 per pound of quota 1) A lump sum payment in 1999 for those who agree to end tobacco production. 2) Three equal payments, from 1999-2001, to those who wish to continue production.	This bill establishes a system to compensate farmers for reduction in tobacco quota below the average 1994-96 quota. Quota holders would be paid \$4 per pound per year for every pound quota falls below the baseline level. Payments to an individual quota holder would be subject to a lifetime limit of \$8 per pound times the farmer's baseline quota.	The proposal would give quota owners \$8/pound for their quota. The funds will be paid out in 5 annual installments of \$1.60/pound based on the three-year average(1995-97) of their basic quota.

Phases quotas out

Compensates for lost quota value.

Phases out quotas but starts new program. (private)

EK - An initial farmer side by side. Tom

<p>QUOTA HOLDER BUYOUT</p>		<p>Farmer's who lease tobacco would be an effective rate of \$2 per pound for the amount quota falls below what was leased in 1994-96.</p> <p>Tenant farmers would receive the same level of payments.</p> <p>Total amount payable to farmers would be \$1.6 billion per year.</p>	<p>This program would convert existing quota into cash, it would terminate the existing tobacco quota system, and a new program would be instituted to give growers the right to grow tobacco through the issuance of licenses.</p>
<p>TRANSITION PAYMENTS TO GROWERS</p>	<p>\$0.40 per pound of leased quota Leased quota value would be based on farmer's average production from 1993-97. Payments would be made from 1999-2001.</p>		<p>The proposal contemplates giving a minimum of income protection during this period. One option would be to add protections in the event tobacco quota falls by more than 10% from the 1997 levels. If that occurs, tobacco producers would be eligible for a \$1/pound payment for lost quota from their 1997 level.</p>

PHASE OUT OF PRICE SUPPORT PROGRAM	1999 - decline by 25% 2000 - decline by 10% 2001 - decline by 10% The price support program would end in 2002 and free market principles would go into effect.		
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<p>ECONOMIC ASSISTANCE TO TOBACCO-DEPENDENT COMMUNITIES</p>	<p>\$300 million in total economic assistance</p> <p>\$100 million per year for 3 years would be block granted to tobacco dependent states. States would determine the areas most in need and the purpose for which the money is allocated.</p>	<p>The bill would provide \$8.3 billion over 25 years in the form of grants to states for agricultural and economic development in tobacco producing counties.</p> <p>At least 20% of the funds received by the states must be spent on agriculture-related development activities.</p> <p>Bill also includes long-term technical assistance to farmers and farmer-owned businesses seeking to diversify the agricultural economy.</p> <p>States would be required to spend 4% of grant amounts to each state on technical assistance.</p> <p>Bill would require all costs associated with the tobacco program to be paid for out of the fund.</p>	<p>Senator Robb does not provide a total amount of economic assistance to be provided.</p> <p>\$250 million annually would be allocated for economic development in tobacco dependent communities. The funds could be used for specific purposes, such as improving the quality of education, promoting tourism through natural resource protection, constructing advanced manufacturing centers, industrial parks, water and sewer facilities and transportation improvements, establishing small business incubators, and installing high technology infrastructure improvements.</p>
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**NEW TOBACCO
PROGRAM (LICENSING)**

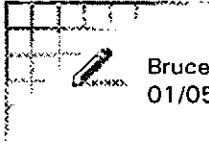
The new system would grant licenses to actual tobacco producers after all the quota has been bought out. These licenses would go to all producers, whether they were quota holders, tenant farmers or quota leasees. There would be no significant cost with acquiring the licenses. These licenses would give the farmer the right to continue growing tobacco, however, that right could not be bought or sold or leased. That license, unlike the quota, would not be a liquid asset. If the grower stopped producing tobacco, the license would be issued to the granting authority, which would reissue the license. Through the buy-out, producers will no longer face the expense of leasing or buying quota. Once that cost is eliminated, the producer can be more competitive.

TOBACCO WORKER TRANSITIONAL PROGRAM		Establishes a \$500 million worker retraining program, modeled on the NAFTA Trade Adjustment Assistance program. Workers would qualify when the sales or production of a firm involved in tobacco decline, in part or wholly due to the implementation of a national tobacco settlement.	
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FARMER OPPORTUNITY GRANTS		<p>Establishes a \$1.4 billion grant program for tobacco farmers and their families to pay for higher education. Grants would be made in the amount of \$1,700 per year, rising to \$2,900 annually by the year 2019. Grants would be used for tuition and fees of higher learning universities, community colleges, and vocational schools.</p> <p>Also, this bill would allow states to require firms receiving funds under Section 2 of the bill to give preference in hiring those individuals who have completed an educational program funded by a Farmer Opportunity Grant.</p>	
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MODIFICATIONS TO TOBACCO PROGRAM		<p>Increase penalties against manufacturers who fail to purchase at least 90% of their tobacco purchase intentions and deposit penalty payments into the Trust Fund.</p> <p>Also, repeal the tobacco marketing assessment.</p>	
TOBACCO PROGRAM AND RELATED COSTS		<p>The bill would require all costs associated with the tobacco program, administrative costs, extension services, crop insurance, loan association, administrative costs, grading and inspection fees, etc., to be paid for out of the fund. Cost are estimated not to exceed \$100 million per year. Under this bill the tobacco program would continue to operate, as would the current system of farmer supported price support payments.</p>	

Tobacco - settlement - farmers



Bruce N. Reed
01/05/98 12:59:52 PM

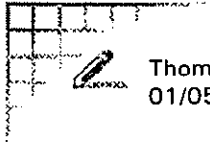
Record Type: Record

To: Thomas L. Freedman/OPD/EOP

cc: Elena Kagan/OPD/EOP, Mary L. Smith/OPD/EOP

Subject: Re: Status on Robb and Tobacco Farmers

Either way, that's a lot of upfront \$ on farmers. I'm not against that (it will be hard to pass a tobacco bill without significant \$ for farmers), but it's one more reason why our colleagues' eagerness to finance the whole govt with tobacco legislation is somewhat fanciful.

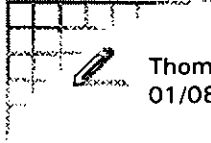


Thomas L. Freedman
01/05/98 12:27:01 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Status on Robb and Tobacco Farmers

The tobacco farmer proposal Robb gave the President has a couple of elements that are causing differences with Senator Ford. According to Ford's AA, they are having a good dialogue with Robb and could be able to work stuff out. The basic issue is how to handle a buy-out. Among the other differences: Ford thinks the upfront costs of Robb are too high-- he estimates Robb costs \$3-4 billion for each of the first five years, Ford comes in around \$2.1 billion for each of the first ten years; Robb has a 40 cent cut in price supports which some large farmers are okay with because it improves international competitiveness; Ford has some concerns about using licenses instead of quotas. In the House, there are a number of members playing around with their own bills too (Baesler, Boucher, Lewis). Robb has still not dropped in a finished bill.



Thomas L. Freedman
01/08/98 05:05:02 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: Laura Emmett/WHO/EOP, Bruce N. Reed/OPD/EOP, Mary L. Smith/OPD/EOP

Subject: Agriculture Issues



ELENACOS.



ELENALT.

The first document are paragraphs for Andrew Mayock on DPC establishing a working group to come up with a public agenda for the President on farmer issues. It also notes Bruce will do a tobacco farmers meeting (including Ralph Paige) that Bruce says he'll do (and COS office asked for). It notes that Carl Whillock is still the Special Assistant for ag. issues and on-going issues still go through him.

The second document is a draft acknowledgement to Senator Robb in response to his one page proposal on tobacco farmers. I ran it by Charlie Rawls at USDA. We don't want to agree with Robb's proposal because it is still in competition with Ford's so Charlie suggested saying we are looking for consensus and leaving it at that.

ANDREW

6008
A NEW PROPOSAL REGARDING TOBACCO

Acid to
Small
farmers
list
TM
SM

Please copy for
Ron Klaim ✓ 12/14/98

- ▶ **Summary:** Because government action is about to erode the value of quota, there would be a buy-out of all existing quota at \$8/lb. A privatized tobacco program limiting supply would be reinstated, providing growers with a license to grow tobacco based on historical average production for that grower. To provide long-term economic security in tobacco communities, \$250 million would be provided for economic development. Finally, a transition payment would be offered to growers as the system changes from its present form to the new one.
- ▶ **Quota Equity Buy-out:** The proposal would give quota owners \$8/pound for their quota. The funds would be paid out in five annual installments of \$1.60/pound based on the three-year average (1995-1997) of their basic quota. To avoid serious tax consequences, which would be the government giving with one hand and taking away with the other, the funds could be placed in a tax-deferred 401(k)-type plan, or used tax-free to reduce debt associated with tobacco farming. This program would convert existing quota into cash, it would terminate the existing tobacco quota system, and a new program would be instituted to give growers the right to grow tobacco through the issuance of licenses.
- ▶ **New Tobacco Program:** Once all the quota has been bought out, the new system would grant licenses to actual tobacco producers. These licenses would go to all producers, whether they were quota holders, tenant farmers or quota leasees. There would be no significant cost associated with acquiring the licenses. These licenses would give the farmer the right to continue growing tobacco, but unlike the previous system that right could not be bought or sold or leased. In other words, that license, unlike quota, would not be a liquid asset. If the grower decided to stop exercising the right to produce granted by the license, the license would be surrendered to the issuing authority, which could then reissue the license to another grower. By wringing the value out of quota through the buy-out, producers will no longer face the expense of leasing or buying quota. Once that cost of operation is eliminated--which represents about 40¢ of the price of a pound of flue-cured tobacco--the producer can be more competitive, both here and overseas. And by being more competitive, the decline in quota will not be as steep, and growers will not suffer the severe dislocation that a sudden drop in quota would create, whether that drop is caused by decreased demand or increased costs of production.
- ▶ **Economic Development:** In addition, \$250 million annually would be allocated for economic development in tobacco dependent communities. The funds could be used for specific purposes, such as improving the quality of all levels of education in the region, promoting tourism through natural resource protection, constructing advanced manufacturing centers, industrial parks, water and sewer facilities and transportation improvements, establishing small business incubators, and installing high technology infrastructure improvements.
- ▶ **Transition:** To make sure that current producers can survive until this new system is implemented over the five-year buy-out period, the proposal contemplates giving a minimum of income protection during this period. One option would be to provide transition payments of 40¢/lb. to growers over 5 years, based on historic production.

Supplement
Tobacco Farmers

For
Farmers meeting

Tobacco -
settlement -
farmers

EK -
USDA tobacco
draft + brief for
President: Tom

TOBACCO

Background: Tobacco production and marketing is important to several individuals attending the meeting. Tobacco is the sixth largest cash crop in the U.S. Sales at the farm gate in 1997 will total \$2.85 billion. Consumers spent about \$50 billion, and Federal, State, and local tax revenues on tobacco products amounts to \$13.4 billion in 1996. Tobacco is produced under the provisions of the Agricultural Adjustment Act of 1938, which establishes quotas on how much tobacco may be marketed without penalty. These quotas restrict the marketing of tobacco such that tobacco has been very profitable for farmers over many years. Governor Hunt often says that tobacco is ten times more profitable than the next most profitable crop in North Carolina, which happens to be soybeans.

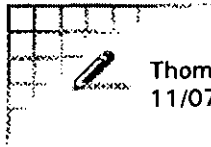
Flue-cured tobacco quotas are set under a statutory formula for the following marketing year in December. Primary considerations in setting the quota are the purchase intentions of the tobacco companies and carryover stocks. Purchase intentions are dramatically lower for the 1998 marketing year, and under the statutory formula, quotas should be reduced by 20 percent. However, due to the negative effect such a reduction would have on producer income, the Secretary will use his discretionary authority to only allow a 17 percent quota cut. This decision will please growers in the flue-cured tobacco region.

Effect of Tobacco Settlement On Tobacco Program: The primary concern of all tobacco producers, and quota holders, is the effect of the proposed tobacco settlement on their livelihood and on the community where they live. If the settlement results in dramatically lower demand for U.S. tobacco, the resulting quota reductions will hurt the ability of tobacco farmers to continue as a profitable venture. Several bills have been introduced to compensate tobacco quota holders for these losses. Senator Lugar has proposed another more controversial approach which would buy-out tobacco quotas and terminate the program. Attendees may also be concerned about the flue-cured tobacco quota.

Talking Points:

- I know that tobacco production is especially important to both minority and small farm producers. The average U.S. tobacco farm is 126 acres with 35 acres total harvested cropland, and tobacco production on only 6.7 acres. In tobacco growing states, the proportion of African-American operated farms producing tobacco is nearly three times that of all farms.
- Secretary Glickman and other Administration officials have been clear that, while tobacco farmers were not included in the settlement negotiations, the Administration will work with Members of Congress from the tobacco region to insure that the concerns of the farmers are adequately addressed. Specific remedies have not been identified as there has yet to be any consensus among these Members as to how to address the concerns of their constituents.
- I understand that continuation of the tobacco program and compensation for lost quota are the two primary commitments sought by most growers. Some producers are beginning to consider the effect of a buy-out. However, a major drawback of a buy-out plan is that tobacco farmers who cash rent, and therefore do not own quota, could be left behind when buy-out payments are made.

- I also understand that there has been some discussion of the usefulness of an economic development fund to help tobacco farmers diversify their economic pursuits. We will be working closely with Congress on all these issues, and I want to reiterate that we will make every effort to ensure that the concerns of tobacco farmers are adequately addressed.
- Lastly, I know that some of you are concerned about the drastic 20 percent flue-cured quota reduction which was estimated under the statutory formula. However, I understand that the Secretary on Monday exercised his full discretionary authority to mitigate this reduction by 3 percent. This will help the situation significantly. Of course, we should be concerned about the long-term implications for the program of such a large quota reduction. But we must keep the program in balance and move forward. That is the way the program has always worked.



Thomas L. Freedman
11/07/97 01:57:34 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

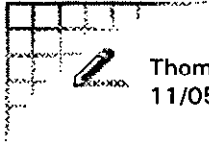
cc:

Subject: Note for Jason G. for POTUS

In a letter the president sent today to Rep. Bob Etheridge (D-NC) he made written commitments to not support tobacco legislation that didn't provide a sound future for farmers.

In general language he:

1. Noted his continued confidence in the quota program;
2. Agreed that American farmers should have a fair share of product in American cigarette companies' sales abroad and domestically;
3. Endorsed the concept of independent source of funds for tobacco programs, and that the cigarette excise tax was one source for covering administrative costs of the program;
4. Agreed that farmers should get the same immunity that companies get from a tobacco deal;
5. Promised to work to reform the "duty drawback" program so it didn't injure domestic farmers.



Thomas L. Freedman
11/05/97 06:13:55 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Talking Points on Etheridge draft letter

Talking Points

The letter is a written commitment by the President that:

1. Tobacco needs an independent source of funding and farmers are entitled to a a dedicated source of revenue that will ensure the economic stability in their communities, compensation for negative effects from the settlement, protecting the viability of their investments, and costs associated with the tobacco program.
2. Commitment to the quota system. Tobacco farmers need a stable price and that Congress is the appropriate place to have price set.
3. Tobacco farmers deserve a share of the world market share of the American tobacco farmers and will work with Congress to guarantee a share.
4. Immunity for farmers to share in with tobacco manufacturers from legislation.
5. Work with members to reform "Duty Drawback" so the system does not provide an economic incentive to purchase foreign tobacco.

November 5, 1997

Dear Congressman Etheridge:

Thank you for sharing with me your concern for the economic well-being of this nation's tobacco farmers and the communities in which they live.

As I have stated publicly, I am committed to the financial well-being of America's tobacco farmers, their families, and their communities. I will not support or sign any legislation that does not provide American tobacco farmers with a safe, sound, and secure future.

In response to the points you have raised with me, I agree with you that American tobacco farmers must have a stable and realistic price for the product they produce. I trust in the abilities of you and your colleagues to determine that price.

I also agree with the principle espoused by several of your colleagues on both sides of the aisle which assures American tobacco farmers a fair level of production which is based upon world market share of American cigarette companies, and a sound share of their own domestic market. I understand that this principle will involve adopting a new thought process as it affects grower production, but I believe this idea is soundly based in principles of equity, thus deserving my support. Further, I appreciate the points you have raised regarding our ability to enforce this provision, and I can assure you that I will work with you to achieve your stated objectives.

I am committed to supporting an independent source of funding for all costs associated with the operation of a successful tobacco farm program. As I understand the concept you have shared with me, you believe that tobacco farmers should be entitled to a dedicated portion of the current tobacco excise tax for the purpose of ensuring financial stability in tobacco communities, compensating tobacco farmers for any negative economic effect from the tobacco settlement, maintaining the economic viability of farmers' investments in tobacco, and for the purpose of covering all administrative and other costs associated with the Tobacco Program.

I understand that the House of Representatives has a record of previously supporting this concept in a bipartisan manner. This kind of prior bipartisan support leads me to believe that the solution which you discussed will be one which I can ultimately wholeheartedly support.


Further, I agree with you and other tobacco Members that tobacco farmers and other facets of the tobacco community should share in any immunity from liability which cigarette manufacturers receive in any settlement legislation.

Additionally, I will work with you and other Members of Congress to reform the system of "duty drawback" so that this system does not provide an economic incentive to purchase foreign tobacco, in preference to American grown leaf. Duty drawback should never be used to undermine the price or sales of American grown tobacco.

As I said when I announced my plan for tobacco legislation, we have an important moral responsibility to American tobacco farmers. These farmers are not the source of the problem, but rather, an important part of America's farming community. As you and I have discussed in the past, American tobacco farmers grow commodities other than tobacco. To ignore this fact, is to ignore the security of this nation's food supply.

I thank you for this opportunity to share with you my commitment to comprehensive tobacco legislation. The points you discussed with me are worthy of my support, particularly because of the bipartisan nature in which they were originally developed. Your proposal demonstrates the commitment we share to maintaining American tobacco farmers' livelihood and income, and I look forward to working with you and all tobacco Members to achieve these goals.

Tobacco - farmers

 Bruce N. Reed
11/05/97 11:22:30 AM


Record Type: Record

To: Elena Kagan/OPD/EOP, Thomas L. Freedman/OPD/EOP

cc:

Subject: Etheridge update

----- Forwarded by Bruce N. Reed/OPD/EOP on 11/05/97 11:23 AM -----

 Bruce N. Reed
11/05/97 11:22:07 AM

Record Type: Record

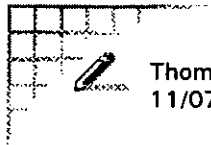
To: Jason S. Goldberg/WHO/EOP

cc:

Subject: Etheridge update

Glickman and I are doing everything we can to give Etheridge what he wants. Glickman thinks we've worked out Etheridge's peanut problem. On tobacco, we can meet most of his concerns, and we're looking for a way to meet all of them. The major hurdle is whether we can commit to eliminate something called the duty drawback program, which makes it possible for US tobacco companies to get back the duty they pay on imported tobacco they put into cigarettes for export. Etheridge wants to eliminate this program as part of fast track. Glickman thinks we can agree to cap the program, but that eliminating it altogether might cause problems with other tobacco-state members who represent manufacturers. (USTR shares this concern.)

Glickman's tobacco people and I will meet with Etheridge this afternoon to see if we can work it out. Etheridge tells me he has a group of members he might be able to swing with this decision (about half a dozen Democratic members from tobacco country are uncommitted), but he won't tell us who they are, because he doesn't want to jeopardize other deals those members may be cutting as well.



Thomas L. Freedman
11/07/97 08:44:04 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Tobacco Q and A

As Jerry reports that Rep. Waxman et. al. are snooping around about the tobacco letter, here are some draft Q and A's in case we get asked about it.

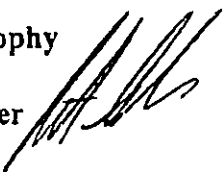
Q. Didn't the President sell out health interests by promising to protect tobacco farmers as part of the Fast Track dealmaking?

A. No. The President has consistently said that we need a comprehensive plan with five key elements to control smoking in this country: increasing the price of cigarettes to reduce youth smoking; affirming the ability of FDA to regulate tobacco products; holding the industry responsible for its advertising and requiring broad document disclosure by industry; reducing second-hand smoke and expansion of cessation programs and medical research; and the protection of tobacco farmers. The letter the President sent simply reaffirms his commitment to protect farmers as part of his comprehensive plan to dramatically reduce teen smoking. It does not reflect any change in his plan.

Q. What does the letter commit the Administration to do?

A. The letter expresses the President's determination to work with Congress to make sure that farmers and their communities are not unfairly damaged by tobacco legislation. Specifically, the President expresses his : (1) continued confidence in the quota program; (2) agreement that American farmers should be treated fairly in American cigarette companies' sales abroad and domestically; (3) endorsement of the concept of an independent source of funds for tobacco programs, and that the cigarette excise tax was one source for covering administrative costs of the program; (4) agreement that farmers should also get legal immunity if cigarette companies receive it in tobacco legislation; and (5) promise to work to reform the "duty drawback" program so it doesn't injure domestic farmers.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

MEMO TO: Susan Brophy
FROM: Peter Scher 
SUBJECT: Congressman Etheridge and Fast Track
DATE: October 29, 1997

Nancy LeaMond asked me to send you a summary of the meeting I had with Congressman Etheridge regarding fast track and his proposal on tobacco.

During my meeting with the Congressman, he discussed two proposals: one on tobacco and one on peanuts. It was clear from our conversation that the tobacco proposal was his clear priority. Regarding his peanut proposal, there are a few things that he would like us to do that we can implement and a few we cannot. We stand ready to work with the Congressman on his peanut proposal if you deem that appropriate.

Attached you will find a synopsis of the Congressman's 6 point proposal on tobacco that addresses the tobacco settlement and attempts to secure financial relief for tobacco farmers. This is not a trade policy issue. For that reason, I am seeking White House guidance on how to proceed.

Please let me know if I can assist in any way.

SUBJECT: Congressman Etheridge and His 6 Point Plan on Tobacco

DATE: October 23, 1997

1. The Administration would guarantee that US tobacco farmers would be granted the same immunity package that the cigarette makers receive at settlement.

2. The Administration would agree to work with the Congress to ensure that a tobacco equity fund is established. This fund would be filled in one of two ways: The fund would either derive its monies by extracting a small slice out of the recently passed excise tax on cigarettes that was targeted for the Children's Health Fund or from a new 2-3 cent tax on cigarette sales. Proceeds from this fund would be used to help compensate tobacco quota and allotment holders when they choose to sell their quotas/allotments. This program would only be needed if these quota/allotment holders have difficulty selling their holdings on the open market.

3. The US government would get the cigarette industry to agree to purchase 100% of their tobacco for domestically sold cigarettes from domestic producers and a certain percentage of their tobacco for cigarettes to be sold internationally from domestic growers. Should the cigarette companies fail to live up to this agreement, the US government would withhold the tax incentives currently available until the cigarette companies complied.

4. The US government would get the cigarette companies to agree to purchase all tobacco from domestic growers at a set "fair" price that would take in consideration the cost of production and reasonable compensation for the farmers. The US government would also ensure that over time, this price would be adjusted for inflation.

5. The Administration would eliminate the duty drawback program for all imported tobacco except for tobacco that cannot be domestically grown.

6. The Administration would maintain the current tariff rate quota (TRQ) and current import inspection requirements and controls on imported tobacco.

...

Tobacco - farmers

THE WHITE HOUSE

WASHINGTON

November 7, 1997

Dear Bob:

Thank you for sharing with me your concern for the economic well-being of this nation's tobacco farmers and the communities in which they live.

As I have stated publicly, I am committed to the financial well-being of America's tobacco farmers, their families, and their communities. I will not support or sign any legislation that does not provide American tobacco farmers with a safe, sound, and secure future.

In response to the points you have raised with me, I agree with you that American tobacco farmers must have a stable and realistic price for the product they produce. I trust in the abilities of you and your colleagues to determine that price.

I also agree with the principle espoused by several of your colleagues on both sides of the aisle that assures American tobacco farmers a fair level of production based upon the world market share of American cigarette companies, and a sound share of their own domestic market. I understand that this principle will involve adopting a new thought process as it affects grower production, but I believe this idea is soundly based in principles of equity, and thus deserving of my support. Further, I appreciate the points you have raised regarding our ability to enforce this provision, and I can assure you that I will work with you to achieve your stated objectives.

I am committed to supporting an independent source of funding for all costs associated with the operation of a successful tobacco farm program. As I understand the concept you have shared with me, you believe that tobacco farmers should be entitled to a dedicated portion of the current tobacco excise tax for the purposes of: ensuring financial stability in tobacco communities; compensating tobacco farmers for any negative economic effect from the tobacco settlement; maintaining the economic viability of farmers' investments in tobacco; and covering all administrative and other costs associated with the tobacco program.

The Honorable Bob Etheridge
Page Two

I understand that the House of Representatives has a record of previously supporting this concept in a bipartisan manner. This kind of prior bipartisan support leads me to believe that the solution which you discussed will be one which I can ultimately wholeheartedly support.

Further, I agree with you and other tobacco Members that tobacco farmers and other facets of the tobacco community should share in any immunity from liability which cigarette manufacturers receive in any settlement legislation.

Additionally, I will work with you and other Members of Congress to reform the system of "duty drawback" so that this system does not provide an economic incentive to purchase foreign tobacco, in preference to American grown leaf. Duty drawback should never be used to undermine the price or sales of American grown tobacco.

As I said when I announced my plan for tobacco legislation, we have an important moral responsibility to American tobacco farmers. These farmers are not the source of the problem, but rather an important part of America's farming community. As you and I have discussed in the past, American tobacco farmers grow commodities other than tobacco. To ignore this fact is to ignore the security of this nation's food supply.

I thank you for this opportunity to share with you my commitment to comprehensive tobacco legislation. The points you discussed with me are worthy of my support, particularly because of the bipartisan nature in which they were originally developed. Your proposal demonstrates the commitment we share to maintaining American tobacco farmers' livelihood and income, and I look forward to working with you and all tobacco Members to achieve these goals.

Sincerely,



The Honorable Bob Etheridge
House of Representatives
Washington, D.C. 20515

tobacco - farmers

Q Is it true that during the negotiations on fast track the President struck a "secret" deal to protect tobacco farmers?

A No. The President has said publicly and repeatedly that protection of tobacco farmers and their communities must be part of comprehensive tobacco legislation. As the President said on September 17, when he called on Congress to enact such legislation, farmers have not caused this problem, and we cannot let them, their families, or their communities be broken by this.

Q Did the President send Congressman Etheridge a letter promising to support a specific plan to protect tobacco growers that included liability relief?

We have been meeting very publicly and frequently with members of Congress interested in tobacco legislation, including members from tobacco growing states. Recently members from tobacco growing states shared with the President some ideas on how to reach the President's goal of protecting tobacco growers and their communities. The President thought their suggestions made sense and told them so, but as I said before the President has been very public in his support for tobacco farmers and their communities..

Tobacco - farmers

5:45 pm

Dear Congressman Etheridge,

I am pleased to write to you regarding upcoming tobacco legislation and my commitment to the protection of tobacco farmers and their communities. As you know, one of the five key elements of my plan for comprehensive tobacco legislation is the protection of the financial well-being of farmers, their families and their communities. I will not support or sign legislation that does not protect tobacco farmers and assure them a secure future.

I agree with you that tobacco farmers should not suffer as a result of this legislation. Any legislation must protect these Americans from loss of income. Specifically, I am committed to the underlying needs of tobacco farmers and will work with Congress towards assuring stable markets, ensuring successful programs that allow farmers to maintain their level of income, and guaranteeing financial compensation to aid farmers in the event that the legislation has a deleterious effect on them or their communities. I also agree with you that farmers should receive the same kinds of protections from liability that cigarette makers receive in legislation. Finally, I am committed to working with you so that tobacco legislation does not give cigarette makers an opportunity to reduce usage of domestically grown tobacco by expanding imports of tobacco. I will explore all opportunities for reforming the duty drawback program to protect domestically produced tobacco and protect the share of domestic tobacco in domestically manufactured products.

As I said when I announced my plan for tobacco legislation, we have a responsibility to tobacco farmers. These farmers are honest, hard-working people, most of whom work on small, family-owned farms. They have not caused the problem and they have done nothing wrong. We must assure them, their families and their communities that they will have a bright future, and that any legislation will provide continued assurances for their livelihood and income level.

Sincerely,

Date: 10/24/97 Time: 18:21
TProposals for tobacco farmers

So far, members of Congress have proposed two conflicting ways to include tobacco farmers in any proposed national tobacco settlement.

Sen. Dick Lugar, R-Ind., has proposed a plan to buy out tobacco farmers and gradually end government programs that support the crop. He proposed an \$8-a-pound buyout of tobacco quota owners, who could then no longer grow tobacco. Farmers who lease quotas to grow tobacco would get 40 cents a pound in transition payments over a three-year period. And those who both own and lease quotas would get a combination of the two.

The plan would add \$15 billion more to the amount of a proposed \$368 billion deal reached by the tobacco industry and state attorneys general.

The states where tobacco is grown would share part of that money \$300 million in block grants over three years to help local communities deal with any economic upheaval.

The program that guarantees a floor price for tobacco also would be phased out over four years.

Sen. Wendell Ford, D-Ky., has proposed continuing government programs that control tobacco supplies and set a minimum price. His proposal does not recommend paying off growers to quit the business. And it would require tobacco companies to pay nothing in addition to the \$368 billion in the proposed settlement reached by the industry and state attorneys general.

Under Ford's plan, people who own government tobacco quotas would receive \$4 a pound for each pound their quota was reduced below 1994-96 average levels, because of reduced demand triggered by the settlement. There would be a lifetime cap of \$8 a pound of that average quota.

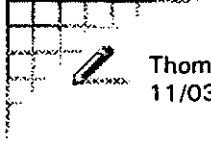
Ford's bill would set aside \$8.3 billion over 25 years in grants to states to help tobacco-dependent communities deal with economic problems caused by reduced smoking and to help farmers diversify into other crops.

A \$1.4 billion grant program would allow tobacco farmers and their dependents to obtain grants initially \$1,700, rising to \$2,900 by 2019 for higher education. And another \$500 million would help train people who now work in tobacco-related jobs for other employment.

Other sponsors of Ford's proposal are Sen. Mitch McConnell, R-Ky., and North Carolina Republican Sens. Jesse Helms and Lauch Faircloth.

APNP-10-24-97 1825EDT

Tobacco - farmers



Thomas L. Freedman
11/03/97 05:20:11 PM

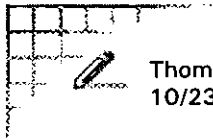
Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Etheridge proposal

Dallas Smith thinks provisions 3 and 5 probably have trade problems. On #3, a few years ago there was a law that required 75% of tobacco to be purchased from domestic sources. It was found to be a WTO violation. Reinstalling it, as provision 3 does, would likely cause problems -- especially as it is 100% purchase level with a governmental penalty. After the 75% figure was found in violation, the US worked out special deal, TRQ, a set amount of imported tobacco (he thought) 30 million pounds gets in at a low tariff, and above that tobacco that comes in but is exported out again gets its duty back (duty drawback). Thus, eliminating the duty drawback would likely cause trade problems as well.

He agreed that the rest of the provisions we like in theory, although there are alternatives floating around. But the basic commitment of the fund idea, the immunity, the fair price, and continuing TRQ are all things the Administration wouldn't disagree with. Regards, Tom

Tobacco -
farmers



Thomas L. Freedman
10/23/97 05:43:49 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jerold R. Mande/OSTP/EOP, Mary L. Smith/OPD/EOP

cc:

Subject: Senator Ford and Farmers

I'll send around a summary of Senator Ford's new bill on farmers his AA sent me. The payments come out of a "tobacco community revitalization fund." Its pays out for:

Lost tobacco quotas: \$1.6 bill. annual cap, \$16 bill. max over 25 years

Farmer opportunity grants: \$42.5 mill. per year for first 5 years, \$1.4 bill max. over 25 years

Benefits for displaced tobacco workers: up to \$50 mill a year for 10 years

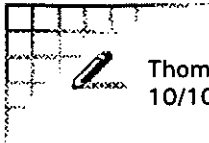
Tobacco community economic development grants: \$400 mill. max a year for first 10 years, \$450 million over next 15 years, \$10.75 bill. over 25 years.

Program costs: up to \$100 million a year

Total Payments: Years 1-10 at \$2.1 billion a year
Years 11-25 at \$500 million a year

Also there is immunity, a farmer referendum provision, and a penalty on manufacturers that purchase less than their stated intention.

*Tobacco - settlement -
farmers*



Thomas L. Freedman
10/10/97 10:34:33 AM

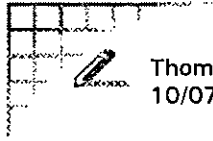
Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Re: tobacco farmers, next steps?

Having talked to Rawls from USDA subsequent to the meeting, I think there was a little muddle on the farmers piece. He favors the idea of a grower meeting to show the Administration has not forgotten them (avoiding future Senator Ford rants/opposition) and keep them on board. However, the idea of a meeting to try and forge a consensus on what to do on farmers doesn't make sense. This piece doesn't need/can't be put in place prematurely-- just the groups need to be kept at a minimum anxiety so they let the process move forward.



Thomas L. Freedman
10/07/97 09:35:03 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Laura Emmett/WHO/EOP, Mary L. Smith/OPD/EOP
Subject: tobacco farmers, next steps?

By my count, there are currently five types of tobacco farmer approaches floating around: tobacco companies promise to buy for 25 years; a legislative buy-out of quotas; a legislative guarantee not to alter the existing program; a legislative subsidy to encourage the growing of alternative crops; and a commission inside USDA. We seemed to favor the first. Lugar has suggested the second. Some farmer representatives have recommended the third. Anti-smoking groups and some farmers the fourth. Others the fifth.

Absent our involvement, there is some reason to believe that the farmer state representatives may coalesce around a proposal that has a legislative guarantee with a legislative buy-out option. This might be fine (although costly) but it would be inconsistent with the companies promising to buy for 25 years. I'll ask OMB to cost the Lugar option out (\$8 a pound).

In any case, the high level of interest in this topic suggests some position will start to form soon if they sense a vacuum. I suggest we have our meeting with legislators soon to make sure we stay a part of it and don't get caught on the wrong side of a proposal we don't agree with but which has already gotten substantial backing.

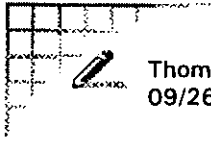
The choices regarding the meeting I see are:

- * Who hosts? (POTUS, VPOTUS, Bruce/Donna)
- * Who comes? (Legislators, or legislators plus farmer leaders, or possibly adding some Governors to the mix)
- * What's said? I think if we do the meeting relatively soon, we can still be soliciting input and discussing process (staying in touch), and hearing about options.

Any thoughts on these questions?

Regards, Tom

tobacco - little - farmers




Thomas L. Freedman
09/26/97 09:43:10 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Re: mtg list 

I thought the meeting was fine, too.

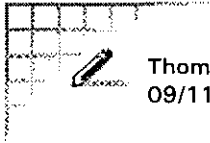
Follow up:

Farmers: Lugar is pushing an \$8 a pound buy-out. This would obviously add substantially to the settlement. We should perhaps be sitting down with this group of farm legislators to keep track of where it is going. Lugar is evidently talking to USDA alot.

International: Do we need a working group to put together some further options?

Meeting with POTUS: Do we want someone to call to Lott/ Daschle or Gingrich before the meeting to coordinate its statement afterwards?

Tobacco - settlement -
farmers



Thomas L. Freedman
09/11/97 12:38:40 PM

Record Type: Record

To: Bruce R. Lindsey/WHO/EOP, Bruce N. Reed/OPD/EOP, Jennifer D. Dudley/WHO/EOP

cc:

Subject: GATT and growers

USDA currently does not think there is a GATT problem with a guaranteed purchase of tobacco deal between growers and the companies.

OK } FDA - cure approach

OK } HHS - no view on docs

OK } condition

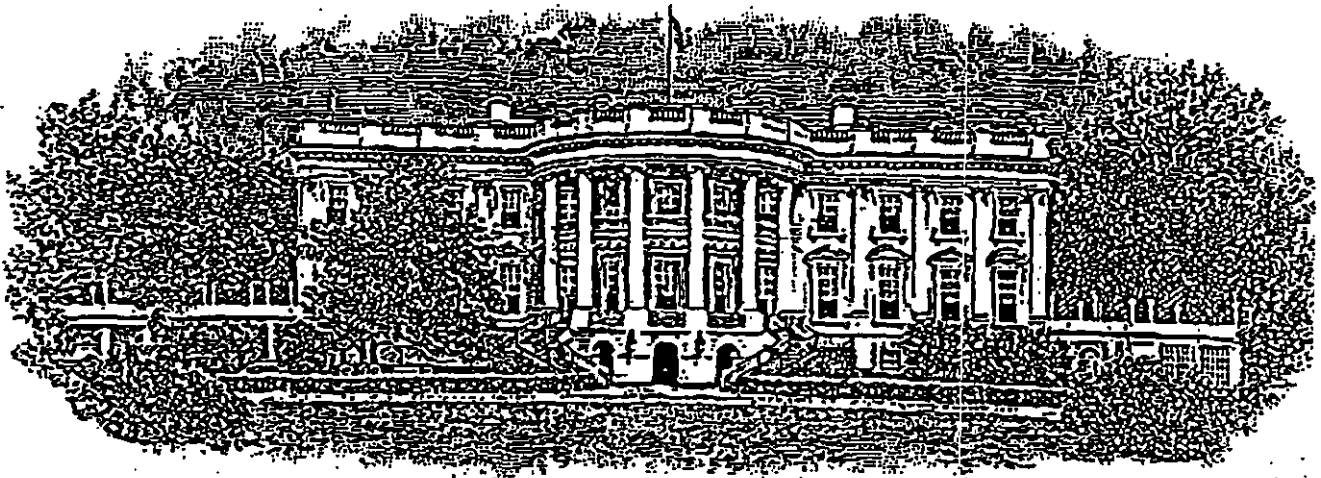
Related - only poor product
various

how to talk
int test.

strategic. too slow/cheap
to throw it out

Tobacco - surtinent -
farmers

The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: Elena Kagan

FAX NUMBER: 456-2878

TELEPHONE NUMBER: _____

FROM: Tom Freedman / May Smith

TELEPHONE NUMBER: _____

PAGES (INCLUDING COVER): 5

COMMENTS: Here is the proposal
for busby tobacco farmers
from Sens. McConnell + Ford

SUMMARY
of ~~Wendell~~ Ford - McConnell

LEVEL 1 - 5 OF 22 STORIES

Copyright 1997 The Courier-Journal
The Courier-Journal (Louisville, KY:)

August 14, 1997, Thursday KY: KENTUCKY

① DU - police
GYS →
② Warden
to include
L.V.
officers

SECTION: NEWS Pg.02B

LENGTH: 548 words

SOURCE: STAFF

BODY:

Plan would take steps to aid tobacco farmers

MIKE BROWN, The Courier-Journal

Here is a summary of the settlement proposal drafted by the offices of Sens. Wendell Ford and Mitch McConnell:

- Creation of a "Tobacco Community Revitalization Fund" administered by the U.S. Department of Agriculture but not subject to the congressional appropriation process.

The fund could spend up to \$ 1 billion annually with the money coming out of the \$ 368.5 billion the tobacco companies have agreed to pay over 25 years to settle outstanding lawsuits. The fund would:

- Cover costs related to the tobacco program that are now paid by the federal government, including the cost of program administration, tobacco crop insurance, extension service tobacco activities, and grading.

- Make "supplemental payments" totaling up to \$ 500 million a year for 25 years to active tobacco producers whose income from the crop in any year is less than in 1996. A state's share of the \$ 500 million would be limited by its share of the nation's 1996 tobacco income.

- Pay up to \$ 100 million a year in benefits to cigarette-factory workers who lose their jobs, much as displaced defense-industry workers are now helped.

- Provide \$ 50 million a year in "agricultural development grants" to farm groups to encourage the growing of so-called supplemental crops and for other initiatives.

- Use any remaining money, up to \$ 250 million a year, for "rural economic development grants" to tobacco states to create long-term employment opportunities in tobacco-growing communities.

- In addition to the fund, compensation for decreased property values if nicotine levels are cut.

Property owners would be entitled to payments equal to the decline in the



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The Courier-Journal (Louisville, KY.), August 14, 1997

fair market value of their tobacco-producing property if all three of the following occurred:

- A drop in a grower's tobacco production income to less than 60 percent of the 1996 level.

- A drop in the fair market value of the tobacco-producing portion of the property to less than 60 percent of the 1996 value.

- Implementation of a Food and Drug Administration rule reducing nicotine in tobacco products.

The draft does not specify the source of the compensation.

- Changes in the tobacco program:

- A new referendum system for determining the rules on the sale, lease and transfer of quotas and other aspects of production.

A petition by more than five percent of the active producers of a particular type of tobacco in a state would be enough to force a vote, and the proposed change would take effect if approved by a simple majority.

- Increased penalties on the cigarette companies for failure to meet at least 90 percent of their stated tobacco-buying intentions, with the money going into the tobacco-community revitalization fund.

- Immunity for farmers, grower co-ops and warehouse employees from liability if the tobacco manufacturers, distributors or retailers fail to comply with terms of the deal.

- Non-legislative items to be worked out with the manufacturers:

- A requirement for the companies to buy a minimum amount of domestic tobacco over 25 years.

- A requirement for them to complete their buyout of old surplus tobacco agreed to in 1994, and to purchase all current surplus.

LANGUAGE: English

LOAD-DATE: August 15, 1997



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MOST RECENT
ARTICLE
on Fed McConnell

LEVEL 1 - 1 OF 22 STORIES

Copyright 1997 The Courier-Journal
The Courier-Journal (Louisville, KY)

August 19, 1997, Tuesday KY: KENTUCKY

SECTION: NEWS Pg. 01B

LENGTH: 689 words

HEADLINE: Baesler reassures tobacco farmers
Settlement need not be a disaster, he tells them

BYLINE: AL CROSS, C-J Political Writer

SOURCE: STAFF

DATELINE: FRANKFORT, Ky.

BODY:

Farmers worried about the proposed tobacco settlement should see it as an opportunity, not a calamity, 6th District U.S. Rep. Scotty Baesler of Lexington said yesterday.

"I think this settlement will give us the opportunity to lock in the future for the tobacco farmer," Baesler told the legislature's Tobacco Task Force.

But he told the lawmakers that Congress won't act on the settlement this year, and in an interview he said Congress probably won't approve it in its current form because both pro- and anti-tobacco forces are seeking changes.

Baesler also said he expects his fellow tobacco growers to get help from President Clinton, who angered them by regulating nicotine as a drug - one of the issues that makes the settlement dependent on congressional approval.

Meanwhile, representatives of 15 states and Puerto Rico met yesterday in Indianapolis to discuss ways to divide the proposed \$ 368 billion tobacco settlement negotiated by tobacco manufacturers and attorneys general of the states that had sued to recoup the cost of tobacco-related health care.

The deal has left tobacco growers "very, very discouraged," Democratic Rep. Tom McKee of Cynthiana told Baesler, a fellow grower. "A lot of them think that it's over, and I try to emphasize that I don't think it's over, and I think you're telling us that."

McKee said growers' apprehension about the future of their crop, and this year's bad weather, has been felt at Wal-Mart in Cynthiana, where the manager told him, "Business is terrible."

"He said, 'We had a staff meeting this morning, and we concluded that it's the uncertainty of the future of tobacco - and at this time we hadn't had any rain - and the uncertainty of the size of the crop.' Farmers haven't spent anything except what they have to."



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The Courier-Journal (Louisville, KY.), August 19, 1997

Baesler replied, "I am bullish on the tobacco market" - so much that he recently bought additional quota. "I'm bullish on it because I think this settlement will give us the opportunity to lock in the future for the tobacco farmer."

Baesler, a Democrat running for the U.S. Senate, repeated what has become an article of faith for tobacco-state lawmakers - that no settlement will pass without protection for growers, which could put an end to the congressional battles over the government help they get.

In the interview, he said chances of the settlement's passing in its current form are "50-50 or less" because anti-tobacco forces "are really going after it" as inadequate.

Just what protection growers will get is far from decided, partly because different kinds of growers want different things.

Large North Carolina growers of flue-cured tobacco are interested in selling their quotas as part of the settlement, but that has little appeal in Kentucky, where burley farmers are more numerous but have smaller quotas and are more interested in guaranteeing a stable market for their crops.

"Flue-cured growers could buy a Winnebago" with a buyout check, while "we could maybe buy some gas to go in it," Danny McKinney, chief executive of the Burley Tobacco Growers Cooperative Association, told the task force.

However, McKinney suggested that the growers would eventually find common ground. He said four or five proposals have been floated and "I don't see any of us that far apart."

Baesler said he and 14 other House Democrats from tobacco states have met with Clinton administration officials to discuss ways to protect growers and will make a proposal by the end of next month.

He said the plan is likely to resemble one offered by Kentucky Sens. Wendell Ford and Mitch McConnell, which includes various economic guarantees for growers and changes in the federal tobacco program.

Baesler said that - based on assurances from Agriculture Secretary Dan Glickman, Health and Human Services Secretary Donna Shalala and Clinton's domestic-policy director, Bruce Reed - he thinks Clinton will support such a plan.

Clinton said when he issued the nicotine regulations almost a year ago that those who favored them had an obligation to help farmers who would be hurt by the regulations.

LANGUAGE: English

LOAD-DATE: August 20, 1997



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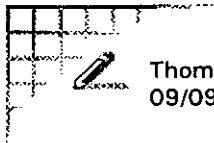
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Tobacco - ~~Can settlement~~ -
farmers



Thomas L. Freedman
09/09/97 12:09:35 PM

Record Type: Record

To: Bruce R. Lindsey/WHO/EOP, Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jennifer D. Dudley/WHO/EOP

cc: Mary L. Smith/OPD/EOP

Subject: Tobacco farmers

The proposal regarding tobacco farmers sent by Mike Easley to Bruce Lindsey seemed like a reasonable starting place according to the tobacco program experts at USDA. Its central elements-- a commitment by manufacturers to annually purchase a minimum quantity of tobacco and for the government to continue the price support program is similar to other proposals that have been floated. In addition, its contemplation of a possible transition and quota compensation program is similar to other programs-- although USDA thinks it will be somewhat cheaper than the current Ford proposal for instance.

There seems to be a problem with the numbers, however, in the proposal for quota program costs. Briefly put, the estimates contemplate an increase in subsidy of a fixed 873 million pounds of tobacco in the top half of the chart, and in the second chart estimate that the amount of tobacco in the program will have declined to 555 million pounds by 2005. If one assumes the program will shrink, than the program will be somewhat cheaper than the projections in the chart.

Tobacco - sittle - james

TO: Elena Kagan

From: Tom Freedman

Attached are two bullet point proposals: one from NC ag. folks & one from a prominent tobacco legislator. ~~also attached~~

I've also attached a background memo we did, laying out very briefly some statistics, how the program works, effects on growers, and proposals.

Tom

08/20/97 10:07 8

07/11/97 10:55 202 720 5437

USDA SECRETARY

002

NCDR MARKETING DIV Fax:919-715-0155

Jul 10 '97 18:53 P.01

NORTH CAROLINA DEPARTMENT OF AGRICULTURE - JAMES A. GRAHAM, COMMISSIONER *6878*

DIVISION OF MARKETING

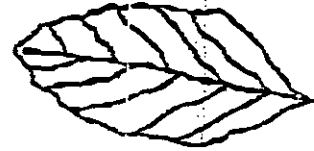
TOBACCO SECTION

P.O. BOX 27647

RALEIGH, NC 27611

PHONE: (919) 733-6152

FAX: (919) 733-0999 or (919) 715-0155



FAX NO.: SEE BELOW

DATE: July 10, 1997

TO: SEE BELOW

PAGES: 1 OF 2

FROM: COMMISSIONER JAMES A. GRAHAM

SUBJECT: POSITION ON CURRENT TOBACCO NEGOTIATIONS AS IT RELATES TO PRODUCTION

SEN. JESSE HELMS
 SEN. LAUCH FAIRCLOTH
 REP. BOB ETHERIDGE
 REP. BILL HEFNER
 REP. MIKE McINTYRE
 CHARLIE RAWLS
 ERSKINE BOWLES
 BOB JENKINS
 LIONIEL EDWARDS
 SAM COLEY
 PAUL DEW
 CHARLIE HARVEY
 ROBERT CALDWELL
 MAC DUNKLEY
 TOMMY BUNN
 CHARLIE KING
 LISA EDDINGTON
 NCSU
 USDA-AMS TOBACCO DIVISION - RALEIGH

① *make good*
 ②
 ③

NORTH CAROLINA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

POSITION ON CURRENT TOBACCO NEGOTIATIONS AS IT RELATES TO PRODUCTION

A meeting was held today at the request of Commissioner James A. Graham to discuss farmer needs in connection with the current tobacco settlement. The following people were in attendance: Commissioner Graham, NCDA (chairman); Deputy Commissioner Weldon Denny, NCDA; W.B. Jenkins, NC Farm Bureau; Larry Wooten, NC Farm Bureau; Lionel Edwards, Flue-Cured Stabilization; Arnold Hamm, Flue-Cured Stabilization; Charles Harvey, Tobacco Growers Assn. of NC; Robert Caldwell, NC State Grange; John Cyrus, NC State Grange; Mac Dunkley, Bright Belt Warehouse Assn.; Paul Dew, NC Agribusiness Council; Sam Coley, USDA-FSA; Carol Holley, USDA-FSA; William Upchurch, NCDA; Carl Sofley, NCDA; David McLeod, NCDA; Harry Daniel, NCDA; Peter Daniel, NCDA.

The group recommends as follows:

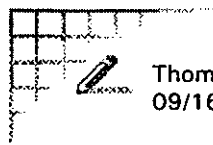
1. PROTECT THE CURRENT TOBACCO PROGRAM.
2. MAINTAIN THE TOBACCO QUOTA AND CURRENT PRICE SUPPORT SYSTEM.
3. A COMMITMENT FROM THE TOBACCO COMPANIES TO PURCHASE 600 MILLION POUNDS OF FLUE-CURED TOBACCO ANNUALLY.

It was a consensus of this group that any legislation enacted by Congress to implement the settlement should address the following growers concerns.

4. AUTHORIZE THE SECRETARY OF AGRICULTURE TO IMPLEMENT PROGRAM CHANGES THROUGH A REFERENDUM BY THE GROWERS.
5. SET ASIDE ONE PERCENT (1%) OF SETTLEMENT PACKAGE TO ALLOW FOR QUOTA BUY-DOWN OR OTHER PROGRAM ENHANCEMENTS.
6. TOBACCO GROWERS, GROWERS' ORGANIZATIONS, WAREHOUSES, AND DEALERS SHOULD RECEIVE THE SAME IMMUNITY OR LIMITATION OF LEGAL LIABILITY AFFORDED TO THE TOBACCO COMPANIES.

**TOBACCO SETTLEMENT LEGISLATION
OFFERED BY REPRESENTATIVE SCOTTY BAESLER**

1. Provisions for the future of the tobacco program. Establish by contract with tobacco companies and in legislation that the tobacco program will be perpetual and for the life of the comprehensive settlement with the tobacco industry.
2. Tobacco quotas. Agree by contract with the manufacturers and the farmers that the buying intentions will remain at a level equal to or exceeding the level set for 1997, which is 700 million pounds for burley tobacco, and at the 1997 support price. This contract between the companies and the farmers will be incorporated into the language of the legislation.
3. The federal program. The companies will agree by contract and legislation that they will pay of the cost of the tobacco program incurred by the federal government.
4. Crop insurance. Manufacturers will agree to assume all of the federal government's losses related to the federal crop insurance program.
5. Domestic content. Requiring cigarette companies to use up to 75 percent American-grown leaf in their product. Current law sets the U.S. percentage at 75 percent.



Thomas L. Freedman
09/16/97 12:36:22 PM

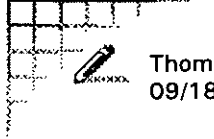
Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jerold R. Mande/OSTP/EOP
cc: Mary L. Smith/OPD/EOP
Subject: USDA Tobacco Testimony

Here are four options I can see for the Senate Ag. Cmtte Hrngs on Thurs. We should get back to them soon, especially if we want option 3.

1. We can clean up their testimony. They shouldn't talk about the settlement as ending tobacco programs for farmers etc. They could affirm the President's pledge to make sure farmers aren't negatively effected. Problem: Right now the testimony needs work, and even once corrected there would be an Administration spokesperson answering questions who might not be the best at outlining future administration policy the day after the POTUS announcement.
2. USDA asked if Bruce would like to testify. I think it might be a good locale. It would mostly be about farmers, but he could also clarify misunderstandings that might have arisen in the day after the announcement.
3. We could ask them to postpone the hearing or not send someone.
4. They could send someone else, someone more junior who would be vague or Glickman or someone who could affirm the commitment.

Tobacco - settlement -
farmers



Thomas L. Freedman
09/18/97 04:47:50 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jerold R. Mande/OSTP/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Ag hearings/Leg watch

We sent someone up to the Senate hearings. Here's the report:

Lugar: favored buy-out at \$8 a pound. Favored a settlement but wanted to protect farmers.

Helms: Mentioned positives of farmers and companies-- defended choice to smoke. Stressed farmers be included. Mentioned Hugh Rodham.

McConnell: Emphasized importance of farmers in Kentucky. Asked whether farmers were mentioned in settlement.

Coverdall: Emphasized danger of black markets.

Grassely: Wondered critically why President didn't have specifics on farmers proposal.

No Dems around.

Comments you may have missed. Bliley saying he would hold hearings after recess, and that there was no chance of enacting legislation this year. Ford saying settlement would be defeated of its own weight.

Tobacco - little - farmers

Wait for Hill Jones

USDA - looks like make sure everyone on board that's prob OK (economist kind)

1996 Quota

Base Line of 873 million lbs. 6 cents per year

Boas line

Pathway by

Why is multiplier always 873 -
Not the amt -
Quota in any year?

Year	Dollars	Transition Payment
1996	\$1.8300 per lb. =	0.00
1997	1.8300 per lb. =	0.00
6¢ 1998	1.7700 per lb. =	52.38 million
12¢ 1999	1.7100 per lb. =	104.76 million
18¢ 2000	1.6500 per lb. =	157.14 million
24¢ 2001	1.5900 per lb. =	209.52 million
30¢ 2002	1.5300 per lb. =	261.90 million
36¢ 2003	1.4700 per lb. =	314.28 million
42¢ 2004	1.4100 per lb. =	366.66 million
48¢ 2005	1.3500 per lb. =	<u>419.04 million</u>

USDA met w/ ST farm bureau providers

\$1,885.68 billion

50% decrease in Quota

Quota	\$4 x Quota Loss	6.25% decrease over 8 Years
873	1998 54.56 million lbs. x 4 =	\$218.24 million
818.44	1999 51.15 million lbs. x 4 =	\$204.60 million
767.28	2000 47.95 million lbs. x 4 =	\$191.80 million
719.33	2001 44.95 million lbs. x 4 =	\$179.80 million
674.38	2002 42.14 million lbs. x 4 =	\$168.56 million
632.23	2003 39.51 million lbs. x 4 =	\$158.04 million
592.73	2004 37.04 million lbs. x 4 =	\$148.16 million
555.69	2005 34.73 million lbs. x 4 =	<u>\$138.92 million</u>

-\$ 1,408.12 billion

To retire all quota 520.96 million lbs. x \$4 = \$2,083.84 billion

\$2,083.84 billion	\$1,408.12 billion	
\$1,408.12 billion	<u>\$1,885.68 billion</u>	
<u>\$1,885.68 billion</u>	\$3,293.8 billion	+ 8 = \$411.725 million per year
\$5,377.64 billion		+ 8 = \$672 205 million per year

Tobacco - small-farmers

Transition Payments Based on Decreasing Quota

Baseline of 6 cents per year

	Year	Quota	Transition Payment (in millions)
\$0.00	1998	873	\$52.38
\$0.06	1999	818.44	\$98.21
\$0.12	2000	767.28	\$138.11
\$0.18	2001	719.33	\$172.64
\$0.24	2002	674.38	\$202.31
\$0.30	2003	632.23	\$227.60
\$0.36	2004	592.73	\$248.95
\$0.42	2005	555.69	\$266.73
	Total		\$1,406.94

TOTAL COST OVER 8 YEARS

Dollars in billion

Transition Payments	\$1,406.94	\$1,406.94
Quota Payments	\$1,408.12	\$1,408.12
Cost of Retiring all Quota in 8yrs	<u>\$2,083.84</u>	
Total Cost of Payments	\$4,898.90	\$2,815.06

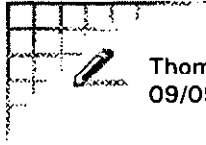
ANNUAL COST PER YEAR

For quota payments and
transition payments:

\$351.88 million per year

For quota payments, transition
payments, and retiring all quota
after 8 years

\$612.36 million per year



Thomas L. Freedman
09/09/97 05:11:04 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Mary L. Smith/OPD/EOP
Subject: Lindsey tobacco meeting

Here's what happened at the Bruce Lindsey meeting this afternoon with Gov. Patton and Sen. Ford and a burley grower. Their basic interest is in (1) a guaranteed purchase level by the companies and (2) continuing the price support program. Ford's bill also has about a billion dollars a year of development grants etc. They understood the Administration is supportive generally-- the fund seems high. Two potential hang-ups on a side agreement on purchases were mentioned: GATT and anti-trust. I'd asked USDA to take a look and they have said in the past there is probably not a GATT problem as it is a private contract.

To Lacco - settlement - farmers



George.Phillips @ justice.usdoj.gov
09/09/97 03:45:00 PM

Record Type: Record

To: elena kagan

cc:

Subject: Tobacco Farmers

Ellena:

A couple of articles about the settlement's effect on tobacco farmers are attached.

The tobacco growers get a very small share of the pie from the sale of cigarettes and have traditionally been screwed by the big companies. If the settlement gave them a small portion, which is chicken feed to the companies in light of the dollars being contemplated but enormous to the farmers, it would make a big difference in these small farmers lives and would help them transition out of the crop. The Administration really has an opportunity to help people (usually good, poor country people that the President and the VP have stood up for -- nobody else does) and do good by making sure the farmers get included in the settlement. The coverage of farmers by the settlement should definitely be included in the President's statement!

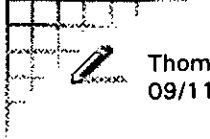
I apologize for my southern populist roots showing on this one.

--George

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Tobacco -
settlement -
farmers



Thomas L. Freedman
09/11/97 12:35:55 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jerold R. Mande/OSTP/EOP
cc: Mary L. Smith/OPD/EOP
Subject: growers

The letter from Baesler and the members about growers emphasizes points that we essentially agree with: that companies should buy an agreed upon level of tobacco. The only question on this score is foreign purchases. If companies agree to buy a set level for 25 years (say the 1996 level) the grower members will be happy. They fear the companies will want a backdoor that allows them to decrease purchases if domestic demand falls. Hence, the members letter has a provision that includes foreign sales in the quota. I talked to Baesler and he emphasized this point.

The other elements of the letter, economic assistance money, is much less essential if there is a guaranteed purchase agreement. If there such a program, the costs in the House bill would likely be similar to the Senate, Baesler said \$250-300 million a year is what they'd ask. Again, less is needed if there is continuation of the program.

Baesler says they may have a low cost buy down proposal next week.

Regards, Tom

Tobacco settlement -
farmers



Elizabeth Drye

07/16/97 12:47:25 PM



Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: More on Farmers

A. Per my previous e-mail, Lowey will offer amendment in approps cmt today prohibiting use of fed funds for tobacco crop insurance staff. USDA is sending a letter -- w/our edits -- to Chairman Skeen opposing the amendment. Public health groups will support Lowey, but won't push. I don't think we need to flaunt the letter, but if asked our message should be:

1) Crop insurance (including tobacco crop insurance) is an essential part of the producer safety net envisioned by the Administration's Agricultural policy. The amendment would have a detrimental effect on thousands of small farmers and their communities in the event of a disaster.



2) While it's a fair question to ask whether the government should subsidize tobacco growing, we should consider any changes to policies toward tobacco farmers in a broader context, not piecemeal. We're considering farmers' concerns in our review of the proposed tobacco settlement.

B. Koop-Kessler recommends establishing a blue-ribbon panel to provide both short- and long-term strategies for reducing the dependence of certain states and communities on tobacco. The panel would involve farmers in the review and develop recommendations for, among other things, the provision of economic development assistance. We should ask the farmers how they view this proposal. The Campaign's staffer on it reports tobacco farmers are reacting favorably to the idea.

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Jerold R. Mande/OSTP/EOP
Thomas L. Freedman/OPD/EOP
Mary L. Smith/OPD/EOP

Tobacco settlement -
farmers

 Elizabeth Drye
07/15/97 05:34:56 PM 

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: URGENT: USDA draft letter supporting Tobacco crop insurance

USDA wants immediate clearance of a letter opposing a Lowey amendment that would deny crop insurance and crop disaster relief for tobacco crops. USDA's position is outlined below. Their position makes sense to me, but we should word it carefully. I'll get the letter. What do you think?

----- Forwarded by Elizabeth Drye/OPD/EOP on 07/15/97 05:30 PM -----

  05:23:02 PM

Record Type: Record

To: Elizabeth Drye/OPD/EOP

cc:

Subject: URGENT: USDA draft letter supporting Tobacco crop insurance



Elizabeth,

Just wanted to make sure that you are aware of this. TJ is fine supporting the USDA position, but wants to weigh in with others in the EOP to see if there are problems of which he is not aware.

Thanks.

AI

----- Forwarded by Alecia Ward/OMB/EOP on 07/15/97 05:22 PM -----

 Mark A. Weatherly
07/15/97 04:44:58 PM 

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Ronald M. Cogswell/OMB/EOP, Alecia Ward/OMB/EOP, Jim R. Esquea/OMB/EOP, Stephen M. Frerichs/OMB/EOP

Subject: URGENT: USDA draft letter supporting Tobacco crop insurance

House Ag Appropriations Subcommittee Chairman Skeen has asked Sec. Glickman to send a letter to counter an expected floor amendment tomorrow, and the Secretary would like to send the letter today. The amendment, to be offered by Cong. Lowey (D-NY), would prohibit USDA from offering crop insurance or crop disaster assistance for tobacco - starting with next year's crop and forevermore thereafter.

The draft USDA position is that "USDA is strongly opposed to this amendment". The letter states that crop insurance is the principal remaining safety net for farmers who suffer crop losses; that most tobacco farmers operate small farms and form an important part of the economy of many rural areas; and that the Administration supports a "safety net" (as the President cited when he signed the 1996 Farm Bill). It also recalls the hurricanes of last year that hit tobacco growers hard in North and South Carolina and Virginia, for which crop insurance provided significant indemnity payments.

The Administration has not quite broached the fate of tobacco farmers in the current tobacco company settlement talks. However, there has been some talk of ensuring any adverse affects on their livelihood are offset (USDA currently does not forecast adverse affects: while domestic demand may decrease from the deal, export demand is growing). In addition, in a March 1994 ACB News Special that featured the President answering questions from young people at the White House, the President stated, "There are a lot of good people in America who still raise tobacco. And we should have funds set aside for them (in the cigarette tax) to help them convert away from raising tobacco to doing other kinds of farming so they can actually make a living." (This is about all we've got on the President's potential views on this issue.)

In our view, some version of the safety net argument for preserving crop insurance for tobacco, and opposing the Lowey amendment, would appear a consistent Administration position. But this issue is clearly above our heads, and so request any guidance you can offer as soon as possible. Thanks.

Message Sent To:

T J. Glauthier/OMB/EOP
Charles E. Kieffer/OMB/EOP
Lisa M. Kountoupes/OMB/EOP
Barbara Chow/WHO/EOP
Lucia A. Wyman/WHO/EOP
Joseph J. Minarik/OMB/EOP

----- Forwarded by Alecia Ward/OMB/EOP on 07/15/97 05:22 PM -----

Joseph J. Minarik

07/15/97 04:50:45 PM

Record Type: Record

To: Mark A. Weatherly/OMB/EOP

cc: See the distribution list at the bottom of this message

Subject: Re: URGENT: USDA draft letter supporting Tobacco crop insurance 

For what it's worth, I think the President's statement speaks for itself; and we have certainly made crop conversion a part of our economic response. Therefore, I see no way that we can back cutting off crop insurance -- certainly not now, and probably even after we get a substantial part of the land base to convert.

Message Copied To: