

Tobacco Settlement? Tobacco Referendum? Tobacco Quotas? Tobacco Allotments? Confusing Issues!

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— Pennsylvania tobacco growers have a lot to think about and a lot of facts to gather before voting in the Tobacco Referendum to be held from March 23 through March 27 at county FSA offices.

What is the "Tobacco Settlement?" At this time, it is several bills which have been introduced into the US Congress which will attempt to reduce the amount of tobacco used by Americans, especially youth; increase the amount of funds available through tobacco taxes to fund a variety of tobacco use reduction and medical issues; make payment to tobacco farmers in the elimination of quotas; and to help tobacco farmers find alternative crops to grow in place of tobacco. There are several bills which have been introduced by a variety of legislatures. Speculations are that the two bills with the best chance of passing are the Lugar and the Ford Bills. However, this is all speculation at this time.

While a lot could change in these or other bills before passage, several issues seem constant between proposals. Settlements will be made with tobacco growers in states where quotas exist or where quotas have not been voted down by growers. Non-quota tobacco production areas which include: Maryland, Pennsylvania, Connecticut, and Massachusetts will not be part of the settlement. That means any funds made available to quota states for growers will not be available to Pennsylvania growers.

A National Tobacco Conference was held in Lexington, Kentucky this past January. Several economists attempted to summarize what impacts they thought the proposed "Tobacco Settlement" legislation would have at the farm level. Most of the economists agreed on a few key points. First, the price at which tobacco sells in the future will be less than it is today. Second, lower prices will make the United States more competitive in world tobacco markets. Third, an increase in exports could result in an expansion of tobacco acres in the US. Fourth, farms growing large acreage of tobacco are more likely to survive the

change than are small acreage growers.

Pennsylvania has always voted down tobacco quotas. Maryland has voted them down since the 1960s. How will the vote go this year? It will depend on what growers know and how they feel about what is happening. In a recent phone call to Maryland, I asked Dave Conrad, Tobacco Specialist in Maryland, how he felt the vote would go in Maryland. His response was "It depends on what Maryland growers know about the 'Tobacco Settlement,' how they feel about not being part of it, and what happens with this year's sale of tobacco." He con-

tinued, "At this time, I don't think there will be a favorable vote here." The Maryland Auctions begin the week before the referendum. Many Maryland growers may not make a decision until the last minute before they vote.

The vote in Maryland could impact Pennsylvania tobacco growers. To determine if a tobacco is under quotas, farmers must vote a 2/3 majority in favor of the quota. Because quotas go across state lines, a strong yes vote in Maryland could mean Pennsylvania growers of Maryland Type Tobacco could be under a quota. It could also mean that the traditional Pennsylvania Type 41 tobacco could no longer be grown in the state without a major change in

US tobacco legislation. Federal Law prohibits the growing of a non-quota tobacco in a state with a quota. This would be the case if growers of Maryland type tobacco vote in favor of quotas.

If Pennsylvania would become a quota state as a result of the referendum, each grower would be given a production allotment. The exact details on how this is determined by the FSA is not available at this time because the FSA office here has never had to deal with that issue and does not have the appropriate manuals. However, the allotment is based on growers past production, possibly market slips for the past 3 to 5 years. This

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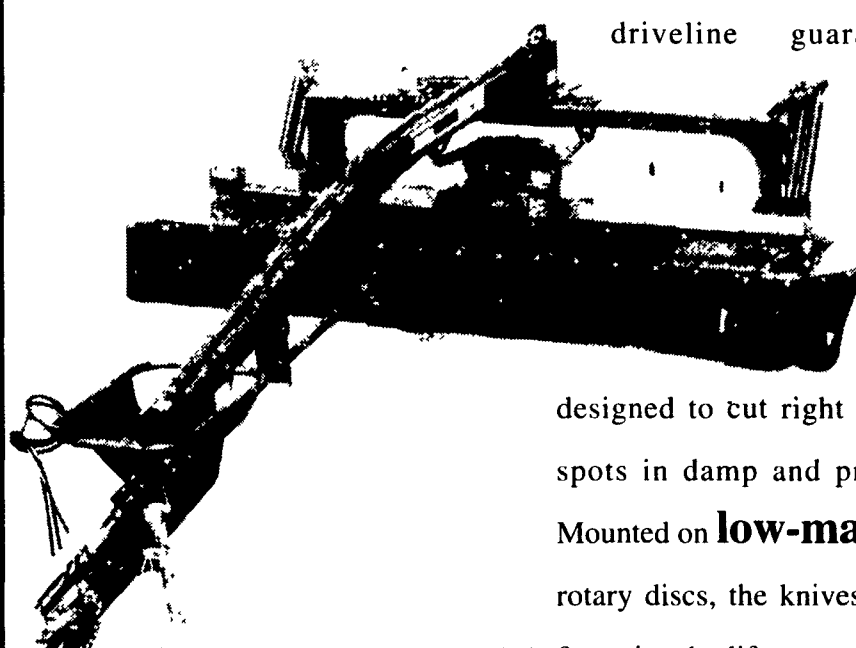
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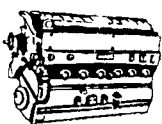
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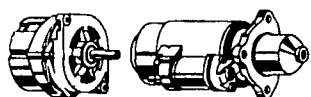
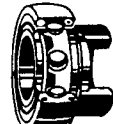


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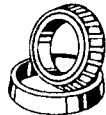
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