

105TH CONGRESS  
1ST SESSION

# S. 1313

To provide market transition assistance to quota owners, tobacco producers, and communities that are dependent on tobacco production, to phase out Federal programs that support tobacco production, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 24, 1997

Mr. LUGAR introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## A BILL

To provide market transition assistance to quota owners, tobacco producers, and communities that are dependent on tobacco production, to phase out Federal programs that support tobacco production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Tobacco Transition Act”.

6 (b) TABLE OF CONTENTS.—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

- Sec. 2. Purposes.  
 Sec. 3. Definitions.

## TITLE I—TOBACCO PRODUCTION TRANSITION

### Subtitle A—Tobacco Transition Contracts

- Sec. 101. Tobacco Transition Account.  
 Sec. 102. Offer and terms of tobacco transition contracts.  
 Sec. 103. Elements of contracts.  
 Sec. 104. Buyout payments to owners.  
 Sec. 105. Transition payments to producers.

### Subtitle B—Rural Economic Assistance Block Grants

- Sec. 111. Rural economic assistance block grants.

## TITLE II—TOBACCO PRICE SUPPORT AND PRODUCTION ADJUSTMENT PROGRAMS

### Subtitle A—Tobacco Price Support Program

- Sec. 201. Interim reform of tobacco price support program.  
 Sec. 202. Termination of tobacco price support program.

### Subtitle B—Tobacco Production Adjustment Programs

- Sec. 211. Termination of tobacco production adjustment programs.

## TITLE III—FUNDING

- Sec. 301. Trust Fund.  
 Sec. 302. Commodity Credit Corporation.

### 1 **SEC. 2. PURPOSES.**

2 The purposes of this Act are—

3 (1) to authorize the use of binding contracts be-  
 4 tween the United States and tobacco quota owners  
 5 and tobacco producers to compensate them for the  
 6 termination of Federal programs that support the  
 7 production of tobacco in the United States;

8 (2) to make available to States funds for eco-  
 9 nomic assistance initiatives in counties of States that  
 10 are dependent on the production of tobacco; and

1           (3) to terminate Federal programs that support  
2           the production of tobacco in the United States.

3 **SEC. 3. DEFINITIONS.**

4           In this Act:

5           (1) ASSOCIATION.—The term “association”  
6           means a producer-owned cooperative marketing asso-  
7           ciation that has entered into a loan agreement with  
8           the Commodity Credit Corporation to make price  
9           support available to producers.

10          (2) BUYOUT PAYMENT.—The term “buyout  
11          payment” means a payment made to a quota owner  
12          under section 104 in 1 or more installments in ac-  
13          cordance with section 102(c)(1).

14          (3) CONTRACT.—The term “contract” or “to-  
15          bacco transition contract” means a contract entered  
16          into under section 102.

17          (4) GOVERNOR.—The term “Governor” means  
18          the chief executive officer of a State.

19          (5) LEASE.—The term “lease” means a rental  
20          of quota on either a cash rent or crop share basis.

21          (6) MARKETING YEAR.—The term “marketing  
22          year” means—

23                 (A) in the case of Flue-cured tobacco, the  
24                 period beginning July 1 and ending the follow-  
25                 ing June 30; and

1 (B) in the case of each other kind of to-  
 2 bacco, the period beginning October 1 and end-  
 3 ing the following September 30.

4 (7) OWNER.—The term “owner” means a per-  
 5 son who, at the time of entering into a tobacco tran-  
 6 sition contract, owns quota provided by the Sec-  
 7 retary.

8 (8) PHASEOUT PERIOD.—The term “phaseout  
 9 period” means the 3-year period consisting of the  
 10 1999 through 2001 marketing years.

11 (9) PRICE SUPPORT.—The term “price sup-  
 12 port” means a nonrecourse loan provided by the  
 13 Commodity Credit Corporation through an associa-  
 14 tion for the kind of tobacco involved.

15 (10) PRODUCER.—The term “producer” means  
 16 a person who during at least 3 of the 1993 through  
 17 1997 crops of tobacco (as determined by the Sec-  
 18 retary) that were subject to quota—

19 (A) leased quota;

20 (B) shared in the risk of producing a crop  
 21 of tobacco; and

22 (C) marketed the tobacco subject to quota.

23 (11) QUOTA.—The term “quota” means the  
 24 quantity of tobacco produced in the United States,  
 25 and marketed during a marketing year, that will be

1       used in, or exported from, the United States during  
2       the marketing year (including an adjustment for  
3       stocks), as estimated by the Secretary.

4           (12) SECRETARY.—The term “Secretary”  
5       means the Secretary of Agriculture.

6           (13) STATE.—The term “State” means each of  
7       the several States of the United States, the District  
8       of Columbia, the Commonwealth of Puerto Rico, and  
9       any other territory or possession of the United  
10      States.

11          (14) TOBACCO.—The term “tobacco” means  
12      any kind of tobacco for which a marketing quota is  
13      in effect or for which a marketing quota is not dis-  
14      approved by producers.

15          (15) TOBACCO TRANSITION ACCOUNT.—The  
16      term “Tobacco Transition Account” means the To-  
17      bacco Transition Account established by section  
18      101(a).

19          (16) TRANSITION PAYMENT.—The term “tran-  
20      sition payment” means a payment made to a pro-  
21      ducer under section 105 for each of the 1999  
22      through 2001 marketing years.

23          (17) TRUST FUND.—The term “Trust Fund”  
24      means the National Tobacco Settlement Trust Fund  
25      established in the Treasury of the United States

1       consisting of amounts that are appropriated or cred-  
 2       ited to the Trust Fund from the tobacco settlement  
 3       approved by Congress.

4           (18) UNITED STATES.—The term “United  
 5       States”, when used in a geographical sense, means  
 6       all of the States.

## 7   **TITLE I—TOBACCO PRODUCTION** 8                           **TRANSITION**

### 9       **Subtitle A—Tobacco Transition** 10                           **Contracts**

#### 11   **SEC. 101. TOBACCO TRANSITION ACCOUNT.**

12       (a) ESTABLISHMENT.—There is established in the  
 13       Trust Fund a Tobacco Transition Account.

14       (b) USE.—Funds appropriated or credited to the To-  
 15       bacco Transition Account shall be available for providing  
 16       buyout payments and transition payments authorized  
 17       under this subtitle.

18       (c) TERMINATION.—The Tobacco Transition Account  
 19       terminates effective September 30, 2001.

#### 20   **SEC. 102. OFFER AND TERMS OF TOBACCO TRANSITION** 21                           **CONTRACTS.**

22       (a) OFFER.—The Secretary shall offer to enter into  
 23       a tobacco transition contract with each owner and pro-  
 24       ducer of tobacco.

1 (b) TERMS.—Under the terms of a contract, the  
 2 owner or producer shall agree, in exchange for a payment  
 3 made pursuant to section 104 or 105, as applicable, to  
 4 relinquish the value of quota that is owned or leased.

5 (c) RIGHTS OF OWNERS AND PRODUCERS.—

6 (1) OWNERS.—An owner shall elect to receive a  
 7 buyout payment in—

8 (A) 1 installment for the kind of tobacco  
 9 involved, in exchange for permanently foregoing  
 10 production of tobacco; or

11 (B) 3 equal installments, 1 installment for  
 12 each of the 1999 through 2001 crops of to-  
 13 bacco, in which case the owner shall have the  
 14 right to continue production of each of those  
 15 crops.

16 (2) PRODUCERS.—In the case of each of the  
 17 1999 through 2001 crops for the kind of tobacco in-  
 18 volved, a producer who is not an owner during the  
 19 1998 marketing year for the kind of tobacco in-  
 20 volved shall not be subject to any restrictions on the  
 21 quantity of tobacco produced or marketed.

22 **SEC. 103. ELEMENTS OF CONTRACTS.**

23 (a) DEADLINES FOR CONTRACTING.—

24 (1) COMMENCEMENT.—To the maximum extent  
 25 practicable, the Secretary shall commence entering

1 into contracts under this subtitle not later than 90  
 2 days after the date of enactment of this Act.

3 (2) DEADLINE.—The Secretary may not enter  
 4 into a contract under this subtitle after June 31,  
 5 1999.

6 (b) DURATION OF CONTRACT.—

7 (1) BEGINNING DATE.—The term of a contract  
 8 shall begin on the date that is the beginning of the  
 9 1999 marketing year for the kind of tobacco in-  
 10 volved.

11 (2) TERMINATION DATE.—

12 (A) IN GENERAL.—Except as provided in  
 13 subparagraph (B), the term of a contract shall  
 14 terminate on the date that is the end of the  
 15 2001 marketing year for the kind of tobacco in-  
 16 volved.

17 (B) EXCEPTION.—In the case of an owner  
 18 who enters into a contract and elects to receive  
 19 a buyout payment in 1 installment under sec-  
 20 tion 102(c)(1)(A), the contract shall be perma-  
 21 nent.

22 (c) TIME FOR PAYMENT.—

23 (1) IN GENERAL.—A buyout payment or transi-  
 24 tion payment shall be made not later than the date  
 25 that is the beginning of the marketing year for the



1 kind of tobacco involved for each year of the term  
 2 of a tobacco transition contract of an owner or pro-  
 3 ducer of tobacco.

4 (2) APPLICABILITY.—This subsection shall be  
 5 applicable to all payments covered by section 102(c).

6 **SEC. 104. BUYOUT PAYMENTS TO OWNERS.**

7 (a) IN GENERAL.—During the phaseout period, the  
 8 Secretary shall make buyout payments to owners in ac-  
 9 cordance with section 102(c)(1).

10 (b) COMPENSATION FOR LOST VALUE.—The pay-  
 11 ment shall constitute compensation for the lost value to  
 12 the owner of the quota.

13 (c) PAYMENT CALCULATION.—Under this section,  
 14 the total amount of the buyout payment made to an owner  
 15 shall be determined by multiplying—

16 (1) \$8.00; by

17 (2) the average annual quantity of quota owned  
 18 by the owner during the 1995 through 1997 crop  
 19 years.

20 **SEC. 105. TRANSITION PAYMENTS TO PRODUCERS.**

21 (a) IN GENERAL.—The Secretary shall make transi-  
 22 tion payments during each of the 1999 through 2001 mar-  
 23 keting years for a kind of tobacco that was subject to a  
 24 quota to a producer who—

1           (1) produced the kind of tobacco during at least  
2           3 of the 1993 through 1997 crop years; and

3           (2) entered into a tobacco transition contract.

4           (b) TRANSITION PAYMENTS LIMITED TO LEASED  
5 QUOTA.—A producer shall be eligible for transition pay-  
6 ments only for the portion of the production of the pro-  
7 ducer that is subject to quota that is leased during the  
8 3 crop years described in subsection (a)(1).

9           (c) COMPENSATION FOR LOST REVENUE.—The pay-  
10 ments shall constitute compensation for the lost revenue  
11 incurred by a tobacco producer during each of the 1999  
12 through 2001 marketing years for the kind of tobacco in-  
13 volved.

14          (d) ELECTION BY PRODUCER; PRODUCTION.—

15           (1) ELECTION.—The producer may elect which  
16 3 of the 1993 through 1997 crop years shall be used  
17 for the calculation under subsection (e).

18           (2) PRODUCTION.—The producer shall have the  
19 burden of demonstrating to the Secretary the pro-  
20 duction of tobacco for each year of the election.

21          (e) PAYMENT CALCULATION.—Under this section,  
22 each of the 3 transition payments made to a producer for  
23 the kind of tobacco involved shall be determined by mul-  
24 tipling—

25           (1) 40 cents; by

1           (2) the average quantity of the kind of tobacco  
2           produced by the producer during the 3 crop years  
3           elected by the producer under subsection (d).

4           **Subtitle B—Rural Economic**  
5           **Assistance Block Grants**

6   **SEC. 111. RURAL ECONOMIC ASSISTANCE BLOCK GRANTS.**

7           (a) IN GENERAL.—For each of fiscal years 1999  
8           through 2001, the Secretary shall use funds in the To-  
9           bacco Transition Account to provide block grants to to-  
10          bacco-growing States to assist areas of such a State that  
11          are economically dependent on the production of tobacco.

12          (b) FUNDING.—To carry out this section, there shall  
13          be credited to the Tobacco Transition Account, from the  
14          Trust Fund, \$100,000,000 for each of fiscal years 1999  
15          through 2001.

16          (c) PAYMENTS BY SECRETARY TO TOBACCO-GROW-  
17          ING STATES.—

18               (1) IN GENERAL.—The Secretary shall use the  
19               amount available for a fiscal year under subsection  
20               (b) to make block grant payments to the Governors  
21               of tobacco-growing States.

22               (2) AMOUNT.—The amount of a block grant  
23               paid to a tobacco-growing State shall be based on—

1 (A) the number of counties in the State in  
 2 which tobacco production is a significant part of  
 3 the county's economy; and

4 (B) the level of economic dependence of  
 5 the county on tobacco production.

6 (d) GRANTS BY STATES TO ASSIST TOBACCO-GROW-  
 7 ING AREAS.—

8 (1) IN GENERAL.—A Governor of a tobacco-  
 9 growing State shall use the amount of the block  
 10 grant to the State under subsection (c) to make  
 11 grants to counties or other public or private entities  
 12 in the State to assist areas that are dependent on  
 13 the production of tobacco, as determined by the Gov-  
 14 ernor.

15 (2) AMOUNT.—The amount of a grant paid to  
 16 a county or other entity to assist an area shall be  
 17 based on (as determined by the Secretary)—

18 (A) the ratio of gross tobacco sales receipts  
 19 in the area to the total farm income in the area;  
 20 and

21 (B) the ratio of all tobacco related receipts  
 22 in the area to the total income in the area.

23 (3) USE OF GRANTS.—A county or other entity  
 24 that receives a grant under this subsection shall use  
 25 the grant in a manner determined appropriate by

1 the county or entity (with the approval of the State)  
 2 to assist producers and other persons who are eco-  
 3 nomically dependent on the production of tobacco,  
 4 including use for—

5 (A) on-farm diversification and alternatives  
 6 to the production of tobacco and risk manage-  
 7 ment; and

8 (B) off-farm activities such as development  
 9 of non-tobacco related jobs.

10 (e) TERMINATION OF AUTHORITY.—The authority  
 11 provided by this section terminates October 1, 2001.

12 **TITLE II—TOBACCO PRICE SUP-**  
 13 **PORT AND PRODUCTION AD-**  
 14 **JUSTMENT PROGRAMS**

15 **Subtitle A—Tobacco Price Support**  
 16 **Program**

17 **SEC. 201. INTERIM REFORM OF TOBACCO PRICE SUPPORT**  
 18 **PROGRAM.**

19 (a) PRICE SUPPORT RATES.—Section 106 of the Ag-  
 20 ricultural Act of 1949 (7 U.S.C. 1445) is amended—

21 (1) by striking subsection (a) and inserting the  
 22 following:

23 “(a) IN GENERAL.—The price support rate for each  
 24 kind of tobacco for which quotas have been approved shall  
 25 be reduced by—

1           “(1) for the 1999 crop, 25 percent from the  
2           1998 support rate for the kind of tobacco involved;

3           “(2) for the 2000 crop, 10 percent from the  
4           1999 support rate for the kind of tobacco involved;  
5           and

6           “(3) for the 2001 crop, 10 percent from the  
7           2000 support rate for the kind of tobacco involved.”;

8           (2) by striking subsections (b) and (f); and

9           (3) by redesignating subsections (c), (d), and  
10          (g) as subsections (b), (c), and (d), respectively.

11          (b) BUDGET DEFICIT ASSESSMENT.—Section 106 of  
12          the Agricultural Act of 1949 (7 U.S.C. 1445) (as amended  
13          by subsection (a)(3)) is amended by striking subsection  
14          (d) and inserting the following:

15          “(d) TOBACCO TRANSITION PAYMENT.—Effective  
16          only for the 1998 crop of tobacco, the Secretary of the  
17          Treasury shall transfer from the Tobacco Transition Ac-  
18          count of the National Tobacco Settlement Trust Fund an  
19          amount equal to the product obtained by multiplying—

20                 “(1) the amount per pound equal to 2 percent  
21                 of the national price support level for each kind of  
22                 tobacco for which price support is made available  
23                 under this Act; and

1 “(2) the total quantity of the kind of tobacco  
 2 that is produced or purchased in, or imported into,  
 3 the United States.”.

4 (c) NO NET COST TOBACCO FUND AND ACCOUNT.—

5 (1) NO NET COST TOBACCO FUND.—Section  
 6 106A of the Agricultural Act of 1949 (7 U.S.C.  
 7 1445–1) is amended to read as follows:

8 **“SEC. 106A. NO NET COST TOBACCO FUND.**

9 “(a) DEFINITIONS.—In this section:

10 “(1) ASSOCIATION.—The term ‘association’  
 11 means a producer-owned cooperative marketing asso-  
 12 ciation that has entered into a loan agreement with  
 13 the Corporation to make price support available to  
 14 producers of a kind of tobacco.

15 “(2) CORPORATION.—The term ‘Corporation’  
 16 means the Commodity Credit Corporation, an agen-  
 17 cy and instrumentality of the United States within  
 18 the Department of Agriculture through which the  
 19 Secretary makes price support available to produc-  
 20 ers.

21 “(3) NET GAINS.—The term ‘net gains’ means  
 22 the amount by which the total proceeds obtained  
 23 from the sale by an association of a crop of quota  
 24 tobacco pledged to the Corporation for a price sup-  
 25 port loan exceeds the principal amount of the price

1 support loan made by the Corporation to the asso-  
2 ciation on the crop, plus interest, charges, and costs  
3 of administering the price support program.

4 “(4) NO NET COST TOBACCO FUND.—The term  
5 ‘No Net Cost Tobacco Fund’ means the capital ac-  
6 count established within each association under this  
7 section.

8 “(5) PURCHASER.—The term ‘purchaser’  
9 means any person who purchases in the United  
10 States, either directly or indirectly for the account of  
11 the person or another person, Flue-cured or burley  
12 quota tobacco.

13 “(6) QUOTA TOBACCO.—The term ‘quota to-  
14 bacco’ means any kind of tobacco for which market-  
15 ing quotas are in effect or for which marketing  
16 quotas are not disapproved by producers.

17 “(7) TRUST FUND.—The term ‘Trust Fund’  
18 means the National Tobacco Settlement Trust Fund  
19 established in the Treasury of the United States  
20 consisting of amounts that are appropriated or cred-  
21 ited to the Trust Fund from the tobacco settlement  
22 approved by Congress.

23 “(b) PRICE SUPPORT PROGRAM; LOANS.—The Sec-  
24 retary—



1           “(1) may carry out the tobacco price support  
2           program through the Corporation; and

3           “(2) shall, except as otherwise provided by this  
4           section, continue to make price support available to  
5           producers through loans to associations that, under  
6           agreements with the Corporation, agree to make  
7           loan advances to producers.

8           “(c) ESTABLISHMENT OF FUND.—

9           “(1) IN GENERAL.—Each association shall es-  
10          tablish within the association a No Net Cost To-  
11          bacco Fund.

12          “(2) AMOUNT.—There shall be transferred  
13          from the Trust Fund to each No Net Cost Tobacco  
14          Fund such amount as the Secretary determines will  
15          be adequate to reimburse the Corporation for any  
16          net losses that the Corporation may sustain under  
17          its loan agreements with the association, based on—

18                 “(A) reasonable estimates of the amounts  
19                 that the Corporation has lent or will lend to the  
20                 association for price support for the 1982 and  
21                 subsequent crops of quota tobacco, except that  
22                 for the 1986 and subsequent crops of burley  
23                 quota tobacco, the Secretary shall determine the  
24                 amount of assessments without regard to any  
25                 net losses that the Corporation may sustain

1 under the loan agreements of the Corporation  
2 with the association for the 1983 crop of burley  
3 quota tobacco;

4 “(B) the cost of administering the tobacco  
5 price support program (as determined by the  
6 Secretary); and

7 “(C) the proceeds that will be realized  
8 from the sales of tobacco that are pledged to  
9 the Corporation by the association as security  
10 for loans.

11 “(d) ADMINISTRATION.—The Secretary shall—

12 “(1) require that the No Net Cost Tobacco  
13 Fund established by each association be kept and  
14 maintained separately from all other accounts of the  
15 association and be used exclusively, as prescribed by  
16 the Secretary, for the purpose of ensuring, insofar  
17 as practicable, that the Corporation, under its loan  
18 agreements with the association with respect to  
19 1982 and subsequent crops of quota tobacco, will  
20 suffer no net losses (including recovery of the  
21 amount of loans extended to cover the overhead  
22 costs of the association), after any net gains are ap-  
23 plied to net losses of the Corporation under para-  
24 graph (3), except that, notwithstanding any other  
25 provision of law, the association may, with the ap-

1       proval of the Secretary, use funds in the No Net  
2       Cost Tobacco Fund, including interest and other  
3       earnings, for—

4               “(A) the purposes of reducing the associa-  
5               tion’s outstanding indebtedness to the Corpora-  
6               tion associated with 1982 and subsequent crops  
7               of quota tobacco and making loan advances to  
8               producers as authorized; and

9               “(B) any other purposes that will be mutu-  
10              ally beneficial to producers and purchasers and  
11              to the Corporation;

12             “(2) permit an association to invest the funds  
13             in the No Net Cost Tobacco Fund in such manner  
14             as the Secretary may approve, and require that the  
15             interest or other earnings on the investment shall  
16             become a part of the No Net Cost Tobacco Fund;

17             “(3) require that loan agreements between the  
18             Corporation and the association provide that the  
19             Corporation shall retain the net gains from each of  
20             the 1982 and subsequent crops of tobacco pledged  
21             by the association as security for price support  
22             loans, and that the net gains will be used for the  
23             purpose of—

24               “(A) offsetting any losses sustained by the  
25               Corporation under its loan agreements with the

1 association for any of the 1982 and subsequent  
2 crops of tobacco; or

3 “(B) reducing the outstanding balance of  
4 any price support loan made by the Corporation  
5 to the association under the loan agreements  
6 for 1982 and subsequent crops of tobacco; and

7 “(4) effective for the 1986 and subsequent  
8 crops of quota tobacco, if the Secretary determines  
9 that the amount in the No Net Cost Tobacco Fund  
10 or the net gains referred to in paragraph (3) exceeds  
11 the total amount necessary for the purposes speci-  
12 fied in this section, suspend the transfer of amounts  
13 from the Trust Fund to the No Net Cost Tobacco  
14 Fund under this section.

15 “(e) NONCOMPLIANCE.—

16 “(1) IN GENERAL.—If any association that has  
17 entered into a loan agreement with the Corporation  
18 with respect to any of the 1982 or subsequent crops  
19 of quota tobacco fails or refuses to comply with this  
20 section (including regulations promulgated under  
21 this section) or the terms of the agreement, the Sec-  
22 retary may terminate the agreement or provide that  
23 no additional loan funds may be made available  
24 under the agreement to the association.

1           “(2) PRICE SUPPORT.—If the Secretary takes  
 2           action under paragraph (1), the Secretary shall  
 3           make price support available to producers of the  
 4           kind or kinds of tobacco, the price of which had been  
 5           supported through loans to the association, through  
 6           such other means as are authorized by this Act or  
 7           the Commodity Credit Corporation Charter Act (15  
 8           U.S.C. 714 et seq.).

9           “(f) TERMINATION OF AGREEMENT OR ASSOCIA-  
 10          TION.—If, under subsection (e), a loan agreement with an  
 11          association is terminated, or if an association having a  
 12          loan agreement with the Corporation is dissolved, merges  
 13          with another association, or otherwise ceases to operate,  
 14          the No Net Cost Tobacco Fund or the net gains referred  
 15          to in subsection (d)(3) shall be applied or disposed of in  
 16          such manner as the Secretary may approve or prescribe,  
 17          except that the net gains shall, to the extent necessary,  
 18          first be applied or used for the purposes specified in this  
 19          section.

20          “(g) REGULATIONS.—The Secretary shall issue such  
 21          regulations as are necessary to carry out this section.”.

22                 (2) NO NET COST TOBACCO ACCOUNT.—Section  
 23                 106B of the Agricultural Act of 1949 (7 U.S.C.  
 24                 1445–2) is amended to read as follows:

1 **“SEC. 106B. NO NET COST TOBACCO ACCOUNT.**

2 “(a) DEFINITIONS.—In this section:

3 “(1) AREA.—The term ‘area’, when used in  
4 connection with an association, means the general  
5 geographical area in which farms of the producer-  
6 members of the association are located, as deter-  
7 mined by the Secretary.

8 “(2) ASSOCIATION.—The term ‘association’ has  
9 the meaning given the term in section 106A(a)(1).

10 “(3) CORPORATION.—The term ‘Corporation’  
11 has the meaning given the term in section  
12 106A(a)(2).

13 “(4) NET GAINS.—The term ‘net gains’ has the  
14 meaning given the term in section 106A(a)(3).

15 “(5) NO NET COST TOBACCO ACCOUNT.—The  
16 term ‘No Net Cost Tobacco Account’ means an ac-  
17 count established by and in the Corporation for an  
18 association under this section.

19 “(6) PURCHASER.—The term ‘purchaser’ has  
20 the meaning given the term in section 106A(a)(5).

21 “(7) TOBACCO.—The term ‘tobacco’ means any  
22 kind of tobacco (as defined in section 301(b) of the  
23 Agricultural Adjustment Act of 1938 (7 U.S.C.  
24 1301(b))) for which marketing quotas are in effect  
25 or for which marketing quotas are not disapproved  
26 by producers.

1           “(8) TRUST FUND.—The term ‘Trust Fund’  
 2       has the meaning given the term in section  
 3       106A(a)(7).

4           “(b) PRICE SUPPORT PROGRAM; LOANS.—Notwith-  
 5       standing section 106A, the Secretary shall, on the request  
 6       of any association, and may, if the Secretary determines,  
 7       after consultation with the association, that the accumula-  
 8       tion of the No Net Cost Tobacco Fund for the association  
 9       under section 106A is, and is likely to remain, inadequate  
 10      to reimburse the Corporation for net losses that the Cor-  
 11      poration sustains under its loan agreements with the asso-  
 12      ciation—

13           “(1) continue to make price support available to  
 14      producers through the association in accordance  
 15      with loan agreements entered into between the Cor-  
 16      poration and the association; and

17           “(2) establish and maintain in accordance with  
 18      this section a No Net Cost Tobacco Account for the  
 19      association in lieu of the No Net Cost Tobacco Fund  
 20      established within the association under section  
 21      106A.

22           “(c) ESTABLISHMENT OF ACCOUNT.—

23           “(1) IN GENERAL.—A No Net Cost Tobacco  
 24      Account established for an association under sub-

1 section (b)(2) shall be established within the Cor-  
2 poration.

3 “(2) AMOUNT.—There shall be transferred  
4 from the Trust Fund to each No Net Cost Tobacco  
5 Account such amount as the Secretary determines  
6 will be adequate to reimburse the Corporation for  
7 any net losses that the Corporation may sustain  
8 under its loan agreements with the association,  
9 based on—

10 “(A) reasonable estimates of the amounts  
11 that the Corporation has lent or will lend to the  
12 association for price support for the 1982 and  
13 subsequent crops of quota tobacco, except that  
14 for the 1986 and subsequent crops of burley  
15 quota tobacco, the Secretary shall determine the  
16 amount of assessments without regard to any  
17 net losses that the Corporation may sustain  
18 under the loan agreements of the Corporation  
19 with the association for the 1983 crop of burley  
20 quota tobacco;

21 “(B) the cost of administering the tobacco  
22 price support program (as determined by the  
23 Secretary); and

24 “(C) the proceeds that will be realized  
25 from the sales of the kind of tobacco involved



1           that are pledged to the Corporation by the asso-  
2           ciation as security for loans.

3           “(3) ADMINISTRATION.—On the establishment  
4           of a No Net Cost Tobacco Account for an associa-  
5           tion, any amount in the No Net Cost Tobacco Fund  
6           established within the association under section  
7           106A shall be applied or disposed of in such manner  
8           as the Secretary may approve or prescribe, except  
9           that the amount shall, to the extent necessary, first  
10          be applied or used for the purposes specified in that  
11          section.

12          “(d) USE.—Amounts deposited in a No Net Cost To-  
13          bacco Account established for an association shall be used  
14          by the Secretary for the purpose of ensuring, insofar as  
15          practicable, that the Corporation under its loan agree-  
16          ments with the association will suffer, with respect to the  
17          crop involved, no net losses (including recovery of the  
18          amount of loans extended to cover the overhead costs of  
19          the association), after any net gains are applied to net  
20          losses of the Corporation under subsection (g).

21          “(e) EXCESS AMOUNTS.—If the Secretary determines  
22          that the amount in the No Net Cost Tobacco Account or  
23          the net gains referred to in subsection (g) exceed the total  
24          amount necessary to carry out this section, the Secretary  
25          shall suspend the transfer of amounts from the Trust

1 Fund to the No Net Cost Tobacco Account under this sec-  
2 tion.

3 “(f) TERMINATION OF AGREEMENT OR ASSOCIA-  
4 TION.—In the case of an association for which a No Net  
5 Cost Tobacco Account is established under subsection  
6 (b)(2), if a loan agreement between the Corporation and  
7 the association is terminated, if the association is dissolved  
8 or merges with another association that has entered into  
9 a loan agreement with the Corporation to make price sup-  
10 port available to producers of the kind of tobacco involved,  
11 or if the No Net Cost Tobacco Account terminates by op-  
12 eration of law, amounts in the No Net Cost Tobacco Ac-  
13 count and the net gains referred to in subsection (g) shall  
14 be applied to or disposed of in such manner as the Sec-  
15 retary may prescribe, except that the net gains shall, to  
16 the extent necessary, first be applied to or used for the  
17 purposes specified in this section.

18 “(g) NET GAINS.—The provisions of section  
19 106A(d)(3) relating to net gains shall apply to any loan  
20 agreement between an association and the Corporation en-  
21 tered into on or after the establishment of a No Net Cost  
22 Tobacco Account for the association under subsection  
23 (b)(2).

24 “(h) REGULATIONS.—The Secretary shall issue such  
25 regulations as are necessary to carry out this section.”.

1 (3) CONFORMING AMENDMENTS.—

2 (A) Section 314(a) of the Agricultural Ad-  
3 justment Act of 1938 (7 U.S.C. 1314(a)) is  
4 amended in the first sentence—

5 (i) by striking “(1)”; and

6 (ii) by striking “, or (2)” and all that  
7 follows through “106B(d)(1) of that Act”.

8 (B) Section 320B(c)(1) of the Agricultural  
9 Adjustment Act of 1938 (7 U.S.C. 1314h(c)(1))  
10 is amended by inserting after “1445–2)” the  
11 following: “(as in effect before the effective date  
12 of the amendments made by section 201(c) of  
13 the Tobacco Transition Act)”.

14 (d) ADMINISTRATIVE COSTS.—Section 1109 of the  
15 Agriculture and Food Act of 1981 (Public Law 97–98;  
16 7 U.S.C. 1445 note) is repealed.

17 (e) CROPS.—This section and the amendments made  
18 by this section shall apply with respect to the 1999 and  
19 subsequent crops of the kind of tobacco involved.

20 **SEC. 202. TERMINATION OF TOBACCO PRICE SUPPORT**  
21 **PROGRAM.**

22 (a) PARITY PRICE SUPPORT.—Section 101 of the Ag-  
23 ricultural Act of 1949 (7 U.S.C. 1441) is amended—

1           (1) in the first sentence of subsection (a), by  
 2           striking “tobacco (except as otherwise provided here-  
 3           in), corn,” and inserting “corn”;

4           (2) by striking subsections (c), (g), (h), and (i);

5           (3) in subsection (d)(3)—

6                   (A) by striking “, except tobacco,”; and

7                   (B) by striking “and no price support shall  
 8           be made available for any crop of tobacco for  
 9           which marketing quotas have been disapproved  
 10          by producers;”; and

11          (4) by redesignating subsections (d) and (e) as  
 12          subsections (c) and (d), respectively.

13          (b) TERMINATION OF TOBACCO PRICE SUPPORT AND  
 14          NO NET COST PROVISIONS.—Sections 106, 106A, and  
 15          106B of the Agricultural Act of 1949 (7 U.S.C. 1445,  
 16          1445–1, 1445–2) are repealed.

17          (c) DEFINITION OF BASIC AGRICULTURAL COMMOD-  
 18          ITY.—Section 408(c) of the Agricultural Act of 1949 (7  
 19          U.S.C. 1428(c)) is amended by striking “tobacco,”.

20          (d) REVIEW OF BURLEY TOBACCO IMPORTS.—Sec-  
 21          tion 3 of Public Law 98–59 (7 U.S.C. 625) is repealed.

22          (e) POWERS OF COMMODITY CREDIT CORPORA-  
 23          TION.—Section 5 of the Commodity Credit Corporation  
 24          Charter Act (15 U.S.C. 714c) is amended by inserting

1 “(other than tobacco)” after “agricultural commodities”  
 2 each place it appears.

3 (f) TRANSITION PROVISIONS.—

4 (1) LIABILITY.—The amendments made by this  
 5 section shall not affect the liability of any person  
 6 under any provision of law as in effect before the ef-  
 7 fective date of this section.

8 (2) TOBACCO STOCKS AND LOANS.—The Sec-  
 9 retary shall issue regulations that require—

10 (A) the orderly disposition of tobacco  
 11 stocks; and

12 (B) the repayment of all tobacco price sup-  
 13 port loans by not later than 1 year after the ef-  
 14 fective date of this section.

15 (g) CROPS.—This section and the amendments made  
 16 by this section shall apply with respect to the 2002 and  
 17 subsequent crops of the kind of tobacco involved.

## 18 **Subtitle B—Tobacco Production** 19 **Adjustment Programs**

### 20 **SEC. 211. TERMINATION OF TOBACCO PRODUCTION AD-** 21 **JUSTMENT PROGRAMS.**

22 (a) DECLARATION OF POLICY.—Section 2 of the Ag-  
 23 ricultural Adjustment Act of 1938 (7 U.S.C. 1282) is  
 24 amended by striking “tobacco,”.

1 (b) DEFINITIONS.—Section 301(b) of the Agricul-  
 2 tural Adjustment Act of 1938 (7 U.S.C. 1301(b)) is  
 3 amended—

4 (1) in paragraph (3)—

5 (A) by striking subparagraph (C); and

6 (B) by redesignating subparagraph (D) as  
 7 subparagraph (C);

8 (2) in paragraph (6)(A), by striking “tobacco,”;

9 (3) in paragraph (7), by striking the following:  
 10 “tobacco (flue-cured), July 1—June 30;

11 “tobacco (other than flue-cured), October  
 12 1–September 30;”;

13 (4) in paragraph (10)—

14 (A) by striking subparagraph (B); and

15 (B) by redesignating subparagraph (C) as  
 16 subparagraph (B);

17 (5) in paragraph (11)(B), by striking “and to-  
 18 bacco”;

19 (6) in paragraph (12), by striking “tobacco,”;

20 (7) in paragraph (14)—

21 (A) in subparagraph (A), by striking  
 22 “(A)”; and

23 (B) by striking subparagraphs (B), (C),  
 24 and (D);

25 (8) by striking paragraph (15);

1 (9) in paragraph (16)—

2 (A) by striking subparagraph (B); and

3 (B) by redesignating subparagraph (C) as  
4 subparagraph (B); and

5 (10) by redesignating paragraphs (16) and (17)  
6 as paragraphs (15) and (16), respectively.

7 (c) PARITY PAYMENTS.—Section 303 of the Agricul-  
8 tural Adjustment Act of 1938 (7 U.S.C. 1303) is amended  
9 in the first sentence by striking “rice, or tobacco,” and  
10 inserting “or rice,”.

11 (d) MARKETING QUOTAS.—Part I of subtitle B of  
12 title III of the Agricultural Adjustment Act of 1938 (7  
13 U.S.C. 1311 et seq.) is repealed.

14 (e) ADMINISTRATIVE PROVISIONS.—Section 361 of  
15 the Agricultural Adjustment Act of 1938 (7 U.S.C. 1361)  
16 is amended by striking “tobacco,”.

17 (f) ADJUSTMENT OF QUOTAS.—Section 371 of the  
18 Agricultural Adjustment Act of 1938 (7 U.S.C. 1371) is  
19 amended—

20 (1) in the first sentence of subsection (a), by  
21 striking “peanuts, or tobacco” and inserting “or  
22 peanuts”; and

23 (2) in the first sentence of subsection (b), by  
24 striking “peanuts or tobacco” and inserting “or pea-  
25 nuts”.

1 (g) REPORTS AND RECORDS.—Section 373 of the Ag-  
 2 ricultural Adjustment Act of 1938 (7 U.S.C. 1373) is  
 3 amended—

4 (1) by striking “peanuts, or tobacco” each place  
 5 it appears in subsections (a) and (b) and inserting  
 6 “or peanuts”; and

7 (2) in subsection (a)—

8 (A) in the first sentence, by striking “all  
 9 persons engaged in the business of redrying,  
 10 prizing, or stemming tobacco for producers,”;  
 11 and

12 (B) in the last sentence, by striking  
 13 “\$500;” and all that follows through the period  
 14 at the end of the sentence and inserting  
 15 “\$500.”.

16 (h) REGULATIONS.—Section 375(a) of the Agricul-  
 17 tural Adjustment Act of 1938 (7 U.S.C. 1375(a)) is  
 18 amended by striking “peanuts, or tobacco” and inserting  
 19 “or peanuts”.

20 (i) EMINENT DOMAIN.—Section 378 of the Agricul-  
 21 tural Adjustment Act of 1938 (7 U.S.C. 1378) is amend-  
 22 ed—

23 (1) in the first sentence of subsection (c), by  
 24 striking “cotton, tobacco, and peanuts” and insert-  
 25 ing “cotton and peanuts”; and



1 (2) by striking subsections (d), (e), and (f).

2 (j) BURLEY TOBACCO FARM RECONSTITUTION.—

3 Section 379 of the Agricultural Adjustment Act of 1938

4 (7 U.S.C. 1379) is amended—

5 (1) in subsection (a)—

6 (A) by striking “(a)”; and

7 (B) in paragraph (6), by striking “, but

8 this clause (6) shall not be applicable in the

9 case of burley tobacco”; and

10 (2) by striking subsections (b) and (c).

11 (k) ACREAGE-POUNDAGE QUOTAS.—Section 4 of the

12 Act entitled “An Act to amend the Agricultural Adjust-

13 ment Act of 1938, as amended, to provide for acreage-

14 poundage marketing quotas for tobacco, to amend the to-

15 bacco price support provisions of the Agricultural Act of

16 1949, as amended, and for other purposes”, approved

17 April 16, 1965 (Public Law 89–12; 7 U.S.C. 1314c note),

18 is repealed.

19 (l) BURLEY TOBACCO ACREAGE ALLOTMENTS.—The

20 Act entitled “An Act relating to burley tobacco farm acre-

21 age allotments under the Agricultural Adjustment Act of

22 1938, as amended”, approved July 12, 1952 (7 U.S.C.

23 1315), is repealed.

1 (m) TRANSFER OF ALLOTMENTS.—Section 703 of  
 2 the Food and Agriculture Act of 1965 (7 U.S.C. 1316)  
 3 is repealed.

4 (n) ADVANCE RECOURSE LOANS.—Section  
 5 13(a)(2)(B) of the Food Security Improvements Act of  
 6 1986 (7 U.S.C. 1433c–1(a)(2)(B)) is amended by striking  
 7 “tobacco and”.

8 (o) TOBACCO FIELD MEASUREMENT.—Section 1112  
 9 of the Omnibus Budget Reconciliation Act of 1987 (Public  
 10 Law 100–203) is amended by striking subsection (c).

11 (p) LIABILITY.—The amendments made by this sec-  
 12 tion shall not affect the liability of any person under any  
 13 provision of law as in effect before the effective date under  
 14 subsection (q).

15 (q) CROPS.—This section and the amendments made  
 16 by this section shall apply with respect to the 1999 and  
 17 subsequent crops of the kind of tobacco involved.

## 18 **TITLE III—FUNDING**

### 19 **SEC. 301. TRUST FUND.**

20 (a) REQUEST.—The Secretary of Agriculture shall  
 21 request the Secretary of the Treasury to transfer, from  
 22 the Tobacco Transition Account in the Trust Fund,  
 23 amounts authorized under sections 104, 105, and 111,  
 24 and the amendments made by section 201, to the account  
 25 of the Commodity Credit Corporation.

1       (b) TRANSFER.—On receipt of such a request, the  
2 Secretary of the Treasury shall transfer amounts re-  
3 quested under subsection (a).

4       (c) USE.—The Secretary of Agriculture shall use the  
5 amounts transferred under subsection (b) to carry out the  
6 activities described in subsection (a).

7       (d) TERMINATION OF AUTHORITY.—The authority  
8 provided under this section shall expire on September 30,  
9 2001.

10 **SEC. 302. COMMODITY CREDIT CORPORATION.**

11       The Secretary may use the funds, facilities, and au-  
12 thorities of the Commodity Credit Corporation to carry  
13 out this Act and the amendments made by this Act.

○