CRS REPORT FOR CONGRESS

TOBACCO PROGRAMS OF THE U.S. DEPARTMENT OF AGRICULTURE: THEIR OPERATION AND COST

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January 15, 1988
Supersedes Report No. 86-140 ENR

ABSTRACT

The Federal Government provides price support for tobacco through nonrecourse loans and marketing quotas. In addition, other U.S. Department of Agriculture services of benefit to tobacco producers are also provided. This report explains the price support program and other federally funded activities related to tobacco production and marketing, and provides detailed cost data.

CONTENTS

LIST OF TABLES

APPENDIX

SUMMARY

The tobacco price support program consists of marketing quotas and nonrecourse loans. The national marketing quota is the amount of tobacco production (with allowance for stocks) needed to satisfy domestic and foreign demand at or above the mandatory support price. The national quota is divided among tobacco producers who must then restrict production and sales to a farm quota level. The marketing quota provisions of the price support program serve to limit supplies and thereby raise market prices above the loan rate. This supply control feature is supposed to enable the nonrecourse loan feature of the program to operate at no loss to the Government.

Farmers are given advances on tobacco accepted as collateral by the Commodity Credit Corporation under the nonrecourse loan provisions of the price support program. This happens when tobacco does not sell at auction above the specified loan rate. Producer cooperatives act on behalf of CCC by making advances to producers; by redrying, packing, and storing the tobacco held as collateral; and finally, by selling the tobacco and paying off the loans from CCC with interest. Markets are stabilized by the presence of loan stocks that are available to private buyers. The law now requires that all loan losses on 1982 and subsequent crops of tobacco (with the exception of the 1983 burley crop) be reimbursed from assessments on producers and buyers (the assessment funds are accumulated in a no-net-cost tobacco program account). Proceeds from sales in excess of outstanding loans are also retained by the CCC to offset future losses.

CCC records show that since 1933, about $9 billion has been loaned to tobacco growers. Losses of loan principal will reach an estimated cumulative

total of $505 million by the end of FY 1988. Plus, there will be an estimated cumulative loss of loan interest of $319 million.

Estimated FY 88 net realized losses on loan operations are $63 million (for losses on crops preceding the no-net-cost requirement). This loss level, as with the preceding two years, is dramatically higher than during the prior 52 year history of tobacco price support operations. While losses are being taken because repayments are inadequate to cover loan principal, the amount of money being received is substantially greater than the amount of new lending. Consequently, net budgetary outlays for FY 88 are estimated at -$347 million (in other words, more money is coming in than is going out in FY 88). At the beginning of FY 88, outstanding principal on tobacco loans was about $2 billion.

The administrative cost of managing the entire price support program will be about $12.4 million in FY 88. Other tobacco-related activities of the USDA and their estimated FY 1988 cost include: (1) the inspection and grading of tobacco at auction markets, which is primarily user-financed ($0.2 million); (2) market news reports on auction sales activity ($0.8 million); (3) research and extension on tobacco production and marketing ($8.8 million); (4) the subsidy of producer premiums for all-risk crop insurance ($4.9 Million).

THE COST OF THE TOBACCO PRICE SUPPORT PROGRAM

INTRODUCTION

Tobacco[1] was an especially important crop in the early history of the United States. Even though it no longer holds its once superior economic position, it is still vital to the major producing States. Tobacco is produced in 21 States and Puerto Rico, but six States (North Carolina, Kentucky, Tennessee, Virginia, South Carolina, and Georgia) accounted for 91 percent of the $1.9 billion in 1987 farm cash receipts from tobacco.

North Carolina is the leading State and produces primarily flue-cured tobacco, and Kentucky, the second leading State, produces primarily burley tobacco. Flue-cured and burley tobaccos (combined with small amounts of oriental tobaccos not produced in this country) are used in cigarettes and constitute 93 percent of total U.S. tobacco production. About 179,000 farms produce tobacco, harvesting an estimated 602,000 acres in 1987.

Cyclical swings in tobacco prices in the early part of this century led to grower efforts to control production. In some cases violence was used

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[1] Tobacco leaves have differing characteristics that are important in the manufacture of tobacco products. These differences have been systematically classified by the USDA. There are seven major classes of tobacco produced in the United States, with differences arising from variations in soils and climate, in cultural practices, and in curing methods. The classes are: flue-cured, fire-cured, air-cured, cigar-filler, cigar-binder, cigar-wrapper, and miscellaneous domestic. Classes are further divided into types, of which there are 26 different categories. Flue-cured, types 11-14, and burley, type 31, are the major tobaccos produced in the United States.

against uncooperative growers. But always, the nongovernmental efforts failed. It was in 1933 that the Federal Government, under the Agricultural Adjustment Act, attempted to control the supply of most major commodities in order to boost prices. Various problems with this and subsequent legislation ultimately led to adoption of the Agricultural Adjustment Act of 1938. This law established a supply control and price support program for tobacco that remains very much the same today.[2] Additional tobacco production and marketing assistance is provided through USDA inspection and grading services, market news reporting, research and extension activities, and subsidized crop insurance.

This report explains the several tobacco-related programs of the USDA and presents detailed cost data.

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[2] The mandatory supply control features of the tobacco program were characteristic of other commodities covered by the 1938 price support legislation. However, only tobacco continues to utilize mandatory supply controls. The current legal authority and requirements for the Federal tobacco program are contained in 7 U.S.C. 1311-1316 and 7 U.S.C. 1445.

PRICE SUPPORT PROGRAM

The U.S. Department of Agriculture (USDA) provides support and stability to tobacco markets through operation of the tobacco program. Prices are supported and stabilized by means of nonrecourse loans in combination with marketing quotas.[3] Financial resources for carrying out price support operations are provided by the Commodity Credit Corporation (CCC), with administrative support coming from the Department's Agricultural Stabilization and Conservation Service (ASCS).

The different classes of tobacco produced in the United States each have their own separately administered, but operationally similar, price support program. The growers of each class of tobacco vote in a national referendum every three years on whether to have a program. Grower approval makes Federal support mandatory on both the Federal Government and all producers of that tobacco.[4]

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[3] Tobacco is one of 15 agricultural commodities now receiving direct Federal price support. Nonrecourse loans are used as the price support mechanism for a number of commodities. Farmers pledge a harvested commodity that has been placed in storage as collateral for the loan. In the event of a default on the loan, which generally occurs if the market price is less than the loan price, the Government takes ownership of the collateral in full settlement of the loan. No additional recourse is taken against the borrower, hence the designation nonrecourse loan.

[4] Growers have disapproved marketing quotas for Maryland, Pennsylvania filler, and cigar binder types of tobacco. There are no quotas on Puerto Rican filler tobacco, but price support is provided.

Program Operation

Federal support is provided through the mechanism of nonrecourse loans available on each farmer's marketed crop. The loan price on 1988 crop flue-cured tobacco is $1.442 per pound, and for burley tobacco the loan price will be about $1.50. (The loan price for each type of tobacco is announced each year by the Secretary of Agriculture who uses the formula specified in the statutes to calculate loan levels). At the auction sale barn, each lot of tobacco goes to the highest bidder, unless that bid does not exceed the Government's loan price. In that case, the tobacco is consigned to the price stabilization cooperative[5] and the farmer is paid the loan price with money borrowed by the cooperative from the CCC. The tobacco becomes collateral for the loan. The cooperative, acting as an agent for the CCC, later sells the tobacco with the proceeds going to repay the loan from CCC.

When farmers vote in favor of price supports, they are at the same time agreeing to accept Government restrictions on the amount of tobacco each can market. The national marketing quota, which is allocated among farms based upon their historical production, is the amount judged sufficient to meet domestic and export demand, but at a price above the Government loan price.[6] By limiting the supply of tobacco, the market price is increased and total

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[5] A farmer cooperative receives the tobacco pledged as collateral, redries, packs, and stores it. Cooperatives under contract with CCC to carry out these activities are known as price stabilization cooperatives.

[6] The marketing quota is actually assigned to the land. So, the right to produce and market a specified quantity of tobacco resides with the owner of the land. A farmer can only begin to grow tobacco if he purchases land that has a quota, or rents the land from its owner.

farm revenue is raised.[7] In this way farm income is supposed to be supported through artificially high market prices, rather than through Government payments.

No-Net-Cost Requirement

Congress, under the threat of legislative dissolution of the program in 1982, passed the "No Net Cost Tobacco Program Act."[8] This legislation imposed an assessment on growers for every pound of tobacco marketed. The assessment funds are to be used to reimburse the Government for any future financial losses resulting from tobacco loan operations.[9] No one expected that the assessment would ever exceed a penny or two per pound, since past losses were low. It turned out, however, that loan prices had been legislated so much higher than world market prices during the late 1970s and early 1980s that cigarette manufacturers imported larger and larger quantities of tobacco.[10] There were statutory limits on how much the

[7] Revenue is increased because the demand for tobacco is price inelastic. In other words, with a price increase consumers reduce consumption, but by a smaller percentage than the price increase. The recent studies put the price elasticity at about -0.7. This means that, for a 1 percent increase in price, consumption declines only 0.7 percent.

[8] Public Law 97-218, enacted July 20, 1982.

[9] Another loss savings feature of the legislation was the retention of any profits on the sale of loan stocks. Profits were previously distributed to growers.

[10] The support prices for flue-cured and burley tobacco reached $1.699 and $1.751 respectively in 1982 under a legislated formula that incorporated past inflation in prices paid for farm supplies. Imported tobacco of comparable quality was then being purchased at prices 30 percent lower than U.S. tobacco (U.S. International Trade Commission publication 1644, Feb. 1985). The lack of import restrictions made the supply control aspect of the price support program ineffective in the face of lower priced foreign tobacco. The domestic tobacco content of cigarettes dropped from 80 percent in 1977 to 64 percent in 1986 (Economic Research Service, Tobacco Situation

marketing quota could be reduced each year, so production continuously exceeded utilization and the surplus went under Government loan. As stocks of tobacco under loan increased, no-net-cost assessments were increased until they reached 25 cents per pound on flue-cured and 30 cents on burley in 1985.

The high assessments, declining marketing quota, and accumulating surplus tobacco stocks created a crisis for tobacco growers and the Federal tobacco program. Congress enacted a legislative remedy in the spring of 1986.[11] The legislation lowered tobacco loan prices about 26 cents per pound.[12] At the same time, the cigarette manufacturers agreed to buy, over the next five years, the surplus stocks of tobacco at discounted prices. Loan losses expected to result from price discounts on old surplus tobacco would fall upon the Government.

Backers of the new legislation anticipate that the current lower tobacco support prices will make U.S. tobacco once again competitive in the international marketplace, and very small amounts will be put under Government loan in future years. Skeptics contend the support prices are still too high to make U.S. tobacco sufficiently competitive.

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and Outlook Report, Sept. 1987).

[11] Changes in the tobacco program were included in P.L. 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1986, enacted April 7, 1986.

[12] The no-net-cost assessment provisions were also modified to require that growers and buyers of tobacco share the burden of the assessments equally. Placing half the assessment on buyers was expected to encourage the future use of domestic tobacco and discourage imports of foreign tobacco. The assessment on both 1987 crop flue-cured and burley is 4 cents per pound (2 cents paid by growers and 2 cents by buyers).

Federal Cost

At the time the No Net Cost Tobacco Program Act was adopted, financial losses from the program were comparatively modest. At the end of FY 1982, after nearly 50 years of operation, losses of loan principal amounted to $58 million. Losses have taken a sharp rise since that time, and are expected to reach a cumulative total at the end of FY 1988 of about $505 million (on cumulative lending of about $9 billion).[13]

Large losses were realized in FY 1986, FY 1987, and are anticipated for FY 1988 ($124.4 million, $251.6 million, and $63.0 million respectively). They arose primarily from loans made on the 1983 burley crop, as well as the 1976 through 1982 flue-cured crops. Legislation adopted in 1986 exempted 1983 crop burley loans from the requirement of no-net-cost, and the 1976 through 1982 flue-cured loans pre-date the no-net-cost requirement. The losses on the 1983 burley crop, which would have been subject to no-net-cost requirements without the congressionally mandated exception, amount to $373 million. All other loan program losses on 1982 and subsequent tobacco crops have been recovered from tobacco assessment funds.

Net Realized Losses vs Net Outlays

Tobacco loans made in one year are typically not repaid until several years later, even as many as 10 years later. So long as the tobacco pledged as collateral remains secure, CCC considers outstanding loans to be assets. Only when the loans are settled is there a determination of the realized loss

13 Loss data are from: U.S. Department of Agriculture. Report of Financial Conditions and Operations of the Commodity Credit Corporation, various issues; and current unpublished data from the Agricultural Stabilization and Conservation Service as of January 15, 1988.

or gain. Since CCC is not a for-profit lender, gains are modest by design and only amount to service fees. Losses are more common (though small for tobacco in comparison to other commodities supported through nonrecourse loans)[14] and have historically been considered consistent with the price and income support goals of farm programs. Net realized loss measures the final burden of tobacco loans on taxpayers because the calculation is made after loans are fully settled by liquidation of the loan collateral.

Table 1 shows the annual level of net realized losses of loan principal since 1961. Passage of the No Net Cost Tobacco Program Act made a significant change in Federal price support policy.[15] Shifting the financial burden for tobacco program losses from the Federal Government to growers discourages setting support prices at artificially high levels. This was belatedly recognized when Congress finally reduced tobacco loan rates by about 26 cents (and at the same time relieved burley growers of a $373 million no-net-cost loss burden).

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[14] The total of net realized losses on all commodity price support loan and inventory operations during FY 1987 is estimated at about $7 billion (including $252 million for tobacco). The cumulative loss total from FY 1933 through FY 1987 is estimated at about $40 billion for all commodities and $442 million for tobacco. (Calculated from: U.S. Department of Agriculture. Report of Financial Conditions and Operations of the Commodity Credit Corporation, various issues. CCC Estimates, July 7, 1987.)

[15] The no-net-cost requirement for tobacco created a precedent for commodity price support programs that was mandated for sugar in the 1985 omnibus farm bill (P.L. 98-198, the Food Security Act of 1985), although Federal sugar program costs are controlled through restrictive import quotas rather than assessments. The dairy program has also used grower assessments to offset some Federal costs.

TABLE 1. Tobacco Price Support Program Costs, FY 1961-1988

Fiscal Year	Net Realized Losses	Net Budgetary Outlays
	(million dollars)	
1961	0.6	(29.2)
1962	9.3	(74.0)
1963	16.1	148.8
1964	11.5	241.0
1965	0.4	159.8
1966	0.3	(64.8)
1967	7.6	(41.6)
1968	1.8	107.3
1969	4.9	37.9
1970	1.1	114.7
1971	0.1	68.6
1972	0.2	(186.2)
1973	(0.2)	(162.9)
1974	0.0	(217.8)
1975	(1.1)	(129.2)
1976	(1.6)	372.1
1977	(0.3)	160.9
1978	(0.8)	98.0
1979	5.4	157.3
1980	0.4	(87.8)
1981	(0.1)	(51.2)
1982	1.1	103.0
1983	7.6	879.8
1984	0.1	346.4
1985	0.5	455.4
1986	124.4	253.4
1987	251.6	(347.0)
1988 est	63.0	(413.0)

( ) indicate negative net losses or negative net outlays (ie., gains or receipts)

Source: U.S. Department of Agriculture. Agricultural Stabilization and Conservation Service. Report of Financial Conditions and Operations of the Commodity Credit Corporation, annual issues. History of Budgetary Expenditures of the Commodity Credit Corporation, annual issues. Unpublished estimates from the Agricultural Stabilization and Conservation Service.

The cumulative total of realized losses of loan principal from 1933 through 1988 amounts to an estimated $505 million, with $373 million due solely to loans made on the 1983 burley crop. Along with losses of loan principal there are losses of interest. However, interest losses on all CCC price support operations are lumped together in the account books. Efforts by the USDA to identify interest losses on tobacco loans alone produce an estimated cumulative total of $319 million in interest losses from 1933 through 1988.

For purposes of budgeting, the Federal Government calculates annual net outlays (also sometimes called net budgetary expenditures) for its various programs. In simple terms, net outlays equal expenditures less receipts. The extent to which Government-wide expenditures exceed receipts is the measure of the Federal budget deficit. So, tobacco program net outlays measure tobacco's contribution to the annual Federal budget deficit (even though some or all of these outlays could be recovered later through loan repayment).

Within any year, new loans made on tobacco are considered expenditures and repayments of previous loans count as receipts. No adjustment is made for the value of the tobacco inventory pledged as collateral for the new loans. Table 1 shows the annual level of tobacco program net outlays since 1961. The negative net outlay numbers in FY 1987 and FY 1988 mean that receipts exceeded expenditures. Large receipts resulted from the sale of tobacco on which loans had been placed in previous years. The large receipts more than offset new loans made in FY 1987 and FY 1988, hence the negative net outlay numbers. However, the receipts were not sufficiently large to cover the full amount of the original loan principal so there were, at the same time, net realized losses.

It is a matter of appearance more than substance that the two accounting methods show dramatically different annual cost numbers. If the end-of-year value of loan collateral were subtracted from the net outlay number, the result would look much like realized loss data. However, the proper valuation of inventory loan stocks would have to be at market prices rather than loan prices. Furthermore, loans made one year are typically not repaid until several years later. So, even after accounting for the value of loan collateral, there would not be a perfect correspondence between the two sets of cost data. The cumulative totals of both net realized losses and net outlays would be equal if loan stocks were to ever be completely liquidated and lending activity ceased.

OTHER TOBACCO-RELATED ACTIVITIES

The tobacco price support program is USDA's major tobacco related program and is by far the most costly. The Department does incur additional costs for other tobacco-related activities. For example, there are the administrative services related to operating the price support program. Additional services that benefit the tobacco industry are the inspection and grading of tobacco at auction markets (modified in 1982 to be user-financed), reporting of prices and volume during the trading season through a market news service, administration of research and extension programs aimed at improving tobacco production and marketing techniques, and a subsidy of the insurance premiums for all-risk crop insurance. The annual cost of each of these service activities is shown in table 2.

Administration of the Price Support Program

A portion of the office staff in some 600 Agricultural Stabilization and Conservation Service county offices, as well as part of the headquarters staff time, is devoted to administering the marketing quota and loan provisions of the tobacco price support program. In FY 1988, some $12.4 million will be spent for salaries and related expenses of ASCS personnel working on the tobacco program.

Tobacco Inspection and Grading, and Market News Services

The Tobacco Inspection Act of 1935 provided that the USDA would furnish, without charge, inspection and grading services at tobacco auction markets. The establishment of uniform standards of quality, with grading by unbiased experts, assures that auction markets perform efficiently and fairly. Federal grading also provides an assurance of quality for tobacco held as collateral for CCC price support loans. In FY 1981, $7.3 million was spent for salaries, expenses, and support for seasonal tobacco inspectors employed by the USDA's Agricultural Marketing Service (AMS).

As a result of legislation in 1981, the inspection and grading services came to be financed through user fees. The only Federal cost now associated with inspection and grading is the development and maintenance of grading standards applied by the inspector. The cost of standardization activity will be about $204,000 for FY 1988.

Along with inspection and grading, AMS provides a market news service for sellers and buyers of tobacco. Daily reports of grades, prices, and sales volume at the auction markets are distributed throughout the tobacco industry. The cost of the tobacco news service in FY 1988 will be about $785,000. Similar market news services are provided for practically all agricultural commodities. Market news services are designed to provide farmers with timely, accurate, and unbiased information on market conditions, to help them make better decisions on where and when to sell, and at what price.

Tobacco Research and Extension

The USDA has long funded research related to tobacco production and economics. Research results are disseminated to the industry through the Extension Service. Following the Surgeon General's report on "Smoking and Health," in 1964, the USDA initiated research to develop a tobacco that would be safer to the health of smokers. USDA expenditures on research and extension related to tobacco production and marketing will amount to $8.8 million in FY 1988. The health-related portion of the research budget will amount to $7.4 million.

Federal Crop Insurance

The Federal Crop Insurance Corporation of the USDA began providing all-risk crop insurance to tobacco producers in 1948. The insurance covers unavoidable production losses due to adverse weather, insect infestation, plant diseases, and other natural calamities. It does not cover avoidable losses caused by neglect or poor farming practices, or financial losses from low prices. The crop insurance program is designed to be actuarially sound; in other words, premiums must be set at a level adequate to cover claims for losses and provide a reasonable reserve against unforeseen categories. From 1948 through 1981, tobacco producers paid $180.1 million in premiums and received $190.2 million in indemnities. The loss ratio of 1.05 is due largely to two particularly catastrophic years, 1977 and 1980. But in spite of those two bad years--which were exactly the circumstances insurance is designed to moderate--the tobacco insurance program successfully balanced premiums and indemnities.

In 1980, the Congress passed legislation to provide for the subsidization of producer premiums for Federal crop insurance. This was done to encourage farmers to purchase all-risk crop insurance and diminish the need for other forms of disaster assistance. The 1982 crop year was the first application of premium subsidies. The level of premium subsidy for tobacco producers is estimated to be $4.9 million in FY 1988.

TABLE 2. Expenditures for Selected Tobacco-Related Activities by Fiscal Year, 1986-1988

Program	Actual 1986	Estimate 1987	Estimate 1988
		(million dollars)	
Administration of Price Supports	$ 10.8	$ 10.8	$12.4
Inspection and Grading a/	.1	.2	.2
Market News Reporting	.6	.8	.8
Research and Extension	8.2	8.4	8.8
Crop Insurance Premium Subsidy b/	3.3	4.3	4.9

a/ User fees were adopted for the 1982 and future crops. The remaining Federal expenditure is for development and maintenance of grading standards.

b/ Subsidization of the crop insurance premium began with the 1982 crop.

Source: Compiled from an internal document of the Office of Management and Finance, U.S. Department of Agriculture, titled Program-by-Program Summary, Estimated Costs Related to Tobacco Activities, January 1987.

APPENDIX

Summary of Selected Provisions of Recent Legislation Affecting Tobacco Programs of the USDA, 1981-1987

P.L. 97-35
8/13/81
(H.R. 3982)

Omnibus Budget Reconciliation Act of 1981

--Amends the Tobacco Inspection Act to require the collection of fees and charges that are sufficient to cover the cost of Federal tobacco inspection.

P.L. 97-98
12/22/81
(S. 884)

Agriculture and Food Act of 1981

--Expresses intent of Congress that the tobacco program result in no net cost, other than administrative costs, to the Government.

--Subjects nonquota tobacco to a quota if it is produced in a quota area. Certain tobaccos are exempt from this provision under specific circumstances.

P.L. 97-218
7/20/82
(H.R. 6590)

No Net Cost Tobacco Program Act of 1982

--Requires that producers of tobacco (and lessors of flue-cured quota) contribute to a fund at an amount adequate to reimburse CCC for any net losses sustained from its loan operations.

--Provides that net gains from the sale of loan collateral tobacco be retained by CCC to offset other loan losses or to reduce outstanding loan balances.

--Allows a reduction of the support rate on grades of tobacco in excess supply so long as the average support level is not reduced by more than 35 percent.

--Allows grades of flue-cured tobacco that are in excess supply to be sold at a special auction. Price supports would not be available and the tobacco would be deducted from under marketings.

--Prohibits fall leasing of flue-cured allotments and quotas and prohibits subleasing.

--Limits the total flue-cured allotment for any farm to 50 percent of the farm's tillable cropland.

--Permits the sale of flue-cured allotments and quotas to active tobacco producers in the same county.

--Prohibits nonindividuals from owning flue-cured and burley allotments after December 1, 1983, if their land is not used for agricultural purposes.

--Requires the national yield factor for flue-cured tobacco to be set at the past five-year average yield beginning in 1983 and each five years thereafter.

--Increases from 15,000 to 30,000 pounds the amount of burley quota that can be leased and transferred.

--Allows producers of dark air-cured and fire-cured tobacco (types 22 and 23) to adopt poundage quotas.

--Exempts nonquota tobacco from quotas if it is produced in a quota area with not more than 20 acres of quota tobacco.

P.L. 98-59
7/25/83
(H.R. 3392)

An Act to Amend the Agricultural Act of 1949 to Set 1983 Tobacco Price Supports at 1982 Levels

--Sets 1983 tobacco support prices at 1982 levels.

--Allows burley quotas to be reduced by as much as 10 percent (instead of 5 percent) to control surpluses.

--Requires a determination of whether imports are interfering with the burley program if support is ever restrained or quotas reduced.

P.L. 98-180
11/29/83
(H.R. 3385)

Dairy and Tobacco Adjustment Act of 1983

--Sets 1984 tobacco support prices at 1982 levels and revises method for determining support prices in future years.

--Allows price supports for certain grades of flue-cured to be reduced.

--Eliminates requirement of a no-net-cost assessment on lessors of flue-cured allotments and quotas.

--Eliminates off-farm lease and transfer of flue-cured allotments and quotas beginning with the 1987 crop.

--Extends to December 1, 1984, the deadline for non-farming entities to sell their tobacco quotas and exempts certain owners from the sale requirement.

--Reduces to 15,000 pounds the amount of burley quota that can be leased or transferred to any farm.

--Requires that tobacco imported into the U.S. be inspected for grade and quality.

P.L. 99-157
11/15/85
(S. 1851)

An Act to Extend the Dairy and Food Stamp Program and for Other Purposes

--Sets the support price for the 1985 crop of burley tobacco at $1.488 per pound (a reduction from the previously required minimum of $1.788).

--Sets the no-net-cost assessment on 1985 burley marketings at not more than 4 cents per pound (a reduction from the previously announced level of 30 cents).

P.L. 99-241 1/30/86 (S. 2013)	<u>An Act to Delay the Referendum on Flue-Cured and to Delay the Proclamation of the Burley Quota</u> --Sets the 1986-88 flue-cured referendum date at up to 30 days after announcement of the 1986 quota, but no later than March 1, 1986. --Sets the announcement of the burley quota at not later than March 1.
P.L. 99-272 4/7/86 (S. 1418)	<u>Consolidated Omnibus Budget Reconciliation Act of 1986</u> --Sets the support price for the 1986 crop at \$1.438 per pound for flue-cured and \$1.488 for burley. --The support price for 1987 and subsequent crops will be adjusted by a formula that includes recent market prices, production costs, and supply-demand levels. --Marketing quotas will be based on intended purchases by cigarette manufacturers, recent export levels, and reserve stock levels. --Manufacturers are required to purchase 90% of their intended levels or pay a penalty. --The no-net-cost assessment is to be shared equally by both farmers and the buyers of tobacco. --The inventory of tobacco loan stocks predating no-net-cost are to be offered for sale at a 90% discount from base prices in effect on Oct. 29, 1984. The 1983 burley stocks are to become the property of CCC and in turn offered for sale at up to a 90% discount. All other no-net-cost tobacco stocks are to be offered for sale at a 10% discount. Cigarette manufacturers are authorized to purchase the surplus stocks at discounted prices over a five- to eight-year period.

--No tobacco can be imported to the United States that has been treated with pesticides prohibited from use in the United States. Both imported and domestic tobacco is to be inspected for pesticides.

P.L. 100-203
12/22/87
(H.R. 3545)

Budget Reconciliation Act of 1987

--Requires the level of support to be reduced by 1.4 percent for 1988 and 1989. Assessments on producers and purchasers may be imposed in lieu of support reduction to achieve the same savings in Federal outlays.

--Allows for the lease and transfer of flue-cured quota if a farm's expected production is less than 80 percent of its effective quota because of natural disaster.

Eliminates the five-year interval requirement for setting the national average yield goal for flue-cured.

--Expresses a sense of Congress that the Secretary of Agriculture should review compliance procedures for quotas on dark-air and fire-cured tobaccos and recommend needed changes in the law.