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File

August 18, 1975

MEMORANDUM FOR:

MAX L. FRIEDERSDORF

THRU:

VERN LOEN

FROM:

CHARLES LEPPERT, JR.

SUBJECT:

Former Rep. Ed Young (R-S. C.)

On August 13, 1975, I met with former Rep. Ed Young (R-S. C.) He asked that I get a message to the President that the policies of Secretary Butz and the Department of Agriculture on tobacco are causing some real problems for him in South Carolina.

Young says he's considering running again for the House of Representatives but Butz' policies on tobacco are killing him because Butz is advocating that the Agriculture Department get rid of the tobacco program. Young says raising tobacco in South Carolina has a very long history and is tied to the land values. For Butz to advocate getting rid of the tobacco program places the lives of many people in his former district in jeopardy. Young says he wants to make a good run at getting elected again since he was the first Republican elected from that District in 100 years but the policy being advocated on tobacco by Butz is hurting his chances very much.

(typed but not read)



THE WHITE HOUSE

WASHINGTON

September 15, 1975

MEMORANDUM FOR: BRENT SCOWCROFT
FROM: RUSS ROURKE *R*
SUBJECT: Congressman Walter Jones

Congressman Walter Jones called me this afternoon regarding his deep concern over "the Administration holdup on a P. L. -480 sale of \$14.9 million worth of tobacco to Egypt." Jones indicated that both he and other tobacco Members of Congress are under extreme pressure from the tobacco industry to get the Administration to permit the consummation of this sale.

Jones requested an immediate inquiry and response. I told him we would get back to him with some kind of report by Tuesday morning.

I would deeply appreciate your assistance.

cc: Max Friedersdorf
*V*ern Loen
Jack Marsh

THE WHITE HOUSE

WASHINGTON

September 15, 1975

MEMORANDUM FOR: JACK MARSH
FROM: RUSS ROURKE R
SUBJECT: Congressman Walter Jones

Representative Walter Jones called today to caution the President against any veto of H. R. 9497 (changes the formula under which the Secretary of Agriculture figures the price support for tobacco). This legislation, "despite the opposition of Secretary Butz, sailed through the House and Senate."

Jones, sensing a veto recommendation to the President by Butz, stated there was unanimity of opinion by both Republican and Democratic tobacco state Members of Congress on this subject. Both substantively and politically, Jones said, it would be a mistake for the President to veto this bill.

He asked that his views be conveyed directly to the President.

cc: Max Friedersdorf
Vern Loen

Passed S. 9/15/75

Vetoed 9/30/75

H. ref. to Agric. Comtee 10/1/75



THE WHITE HOUSE

WASHINGTON

September 25, 1975

MEETING WITH CONGRESSIONAL PROPONENTS OF TOBACCO BILL

Thursday, September 25, 1975

5:00-6:00 p.m. (60 minutes)

The Cabinet Room

From: Max L. Friedersdorf *MLF*

I. PURPOSE

To permit Congressional proponents of a bill increasing tobacco price supports to present their views to the President.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Both the House and Senate have passed without a recorded vote a measure (H.R. 9497) increasing price supports for tobacco.
2. A number of Congressmen and Senators, notably Strom Thurmond, Walter Jones, Carl Perkins and Tim Lee Carter, have phoned and written the White House urging the President to either sign the bill or allow it to become law without signature.
3. The appeals in behalf of the bill have been highly political in nature with dire predictions of election consequences if the bill is vetoed.
4. On the other side, the President has received a joint letter from Senators Brooke, Bellmon, Garn, Hatfield, Javits, Roth, Hugh Scott, Stafford, Percy, Case and Buckley urging a veto because of an alleged \$240 million cost over the next five years. (The President also plans to meet with a small representation from the opponents of the bill.)
5. Both Secretary Butz and Jim Lynn indicate they will recommend a veto. John Rhodes and Hugh Scott also recommend a veto on the grounds that it will stimulate new price support demands on dairy products, wheat, corn, soy beans, rice, etc.

B. Participants: See Tab A

C. Press Plan:

Press Office to announce the meeting; White House photographers only.

III. AGENDA See Tab B

IV. TALKING POINTS See Tab C
(Arguments against the bill supplied by the Department of Agriculture and Domestic Council)

1. I am pleased to have the opportunity to discuss the tobacco bill with members of the House and Senate.
2. There are a number of Senators and Congressmen opposed to the bill and I will be meeting with a delegation of this group before I take action on the measure because I want to have both sides presented.
3. I have until midnight, Wednesday, October 1, to act. Before that time I plan to study all the pros and cons of the legislation before making a decision.
4. Both Secretary Butz and OMB Director Jim Lynn are here today. I would like to have the Congressmen and Senators give me their views and then perhaps Earl and Jim can express themselves.
5. Tom Foley, Chairman of the House Agriculture Committee, is here. Why don't we lead off with Tom, and then hear from the others. Tom.....

PARTICIPANTS

The President ✓
The Vice President
Secretary Butz ✓

Dick Bell - asst. Butz ✓
SENATE

Walter Huddleston
Wendell Ford
Howard Baker
Jesse Helms
Bob Morgan
Strom Thurmond
Fritz Hollings
Sam Nunn
Dick Stone
Bob Dole

Talmadge

HOUSE

John, TenRette ✓
Walter Jones ✓
Tim Lee Carter ✓ R
Bill Wampler ✓ R
Tom Foley ✓
Carl Perkins ✓
~~Bob Poage~~
John Breckinridge ✓

~~Hatch~~

STAFF

Don Rumsfeld
Jack Marsh
Phil Buchen ✓
Bill Seidman ✓
Alan Greenspan ✓
Max Friedersdorf ✓
Jim Lynn ✓
Jim Cannon ✓
Dick Cheney
Vern Loen ✓
Bill Kendall ✓
John Carlson ✓
Jack Calkins ✓

Paul Leach ✓

Pat O'Donnell ✓

✓ indicates attendance

REGRETS

Sen. Harry Byrd
Sen. Bill Scott
Sen. Brock
~~Sen. Talmadge~~
Sen. Chiles

Poage
Hatch



AGENDA

5:00-5:05 p.m.
(5 minutes)

The President opens the meeting and introduces the subject of the tobacco bill.

5:05-5:45 p.m.
(40 minutes)

The President requests comments from all Congressional proponents who wish to be heard.

5:45-5:50 p.m.
(5 minutes)

The President requests Secretary Butz to state his views on the legislation.

5:50-5:55 p.m.
(5 minutes)

The President requests Jim Lynn to indicate his views.

5:55-6:00 p.m.
(5 minutes)

The President sums up the meeting and thanks the Congressional delegation for their recommendations.

6:00 p.m.

The President concludes the meeting.

Tobacco Legislation -- Political Connotations

1. Congressmen from the six major tobacco States (Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee) have supported the President 46 percent of the time in attempted veto overrides.
2. These Congressmen are essentially conservative, would probably support the President regardless of the President's action on this bill.
3. This bill would raise prices received by farmers on tobacco sold from the date of enactment forward benefited only about 50 percent of the farmers in that half the tobacco has already been sold. It would seem you could have one mad bunch--those that had already sold.
4. Senator Huddleston's AA reports that Kentucky has 165,000 tobacco growers and that 35 percent of the farm income depends on tobacco sales. Congressman Perkins (Ky.) has 20,000 tobacco growers in his district and it is reported to be one of the poorest in the country from a farming standpoint.
5. Health enthusiasts have been mysteriously silent in commenting on the manner in which this bill was passed through both Houses. In an open debate, such as attempting an override, they will probably be quite vocal. They will applaud a veto.
6. Senate has cancelled hearings on proposed rice legislation reportedly holding rice in hostage for Presidential approval of tobacco legislation. They will likely change this posture if and when the tobacco bill is disapproved.
7. The great majority of tobacco farmers also raise other crops, and have good incomes for the total season.
8. The bill could never have passed either House on a record vote. If vetoed, it is highly unlikely that a vote to override will occur. The issue will quickly subside.

Tobacco Legislation

Factors to be considered regarding current tobacco legislation:

Farm Policy - This legislation which makes no change in the tobacco program except to increase prices is totally inconsistent with the Administration's farm policy. In the long run, it is a far worse piece of legislation than the Agriculture and Consumer Act of 1975 which was summarily vetoed.

Economic - It would adversely affect three significant economic areas --

1. Government expenditures - The bill would require added government outlays for the loan program this year to the tune of an estimated \$70 million. Over a five year period, the cumulative increased outlay would be an estimated \$250 million.
2. Balance of Trade - It would reduce U.S. tobacco exports and increase tobacco imports. The U.S. is now the world's largest tobacco exporter and the third largest importer. This bill could reverse these roles to third largest exporter and largest importer. U.S. tobacco exports in fiscal year 1975 were \$1.2 billion and imports something over \$200 million.
3. Producer Income - This bill would sacrifice long time producer income for short time gain. The trend of dropping consumption and exports would be accelerated by this legislation. Subsequent increased loan stocks under price support would force a sharp reduction in tobacco quotas and production. This would adversely affect producer income in the years ahead.

Attitude of Affected Groups

1. Buyers - This group is already reacting to U.S. tobacco prices by turning to cheaper imported tobacco. However, one major U.S. company is reported to support the legislation.
2. Exporters - This group views the legislation as an increasing threat to their business which has not kept pace with the increase in world tobacco trade.
3. Warehousemen - This group has a certain self-interest in that they receive a 3 percent commission on sales.
4. Producers - In contrast to other segments of agriculture, tobacco producers do not object to reduced production. If they fully understood the impact of this legislation, they might be less inclined to support it, however their leadership which does favor it, is in a position to shut off effective communications.

Conclusion - The fate of this bill should be decided on the basis of agriculture as a whole and not solely on the basis of the tobacco segment.

Talking Points and Questions

1. IS THE PRESENT SYSTEM OF PRICE SUPPORT SUFFICIENT?

Present legislation provides substantial price support for tobacco: Under the support price computation formula already in effect, the level of price support for the 1975 crop is 12 percent higher than in 1974 and support levels in the next few years will continue to rise substantially.

2. WHAT WILL BE THE EFFECT OF THIS LEGISLATION ON TOBACCO EXPORTS AND IMPORTS?

The U.S. leads the world in tobacco exports, and ranks third in tobacco imports under the present program. During fiscal year 1975, our net tobacco exports were valued at \$1 billion. However, the present system of price support has already resulted in a decline in the U.S. share of the world export market from 35 percent in the 1965-1969 period to 24 percent in 1974. USDA argues that approval of H.R. 9497 would stimulate the production of tobacco in foreign countries, reduce our tobacco exports and increase our tobacco imports.

3. WILL THIS LEGISLATION INCREASE OR DECREASE THE INCOMES OF TOBACCO FARMERS?

To keep market prices above the higher support prices and to prevent excessive accumulations of tobacco by the U.S. Government, USDA and OMB argue that marketing quotas (i.e., the acres of tobacco under cultivation) in 1976 and subsequent years would have to be reduced. Despite increases in prices, USDA feels that these required reductions in quotas would result in lower incomes for tobacco farmers.

4. DOES THIS LEGISLATION PROVIDE EQUAL BENEFITS TO ALL TOBACCO FARMERS THIS YEAR?

Since almost 50 percent of all flue-cured tobacco produced in 1975 has already been marketed, H.R. 9497 discriminates against some tobacco producers who would not benefit from this change in the support price system because they have already sold their 1975 crop.

5. WHICH INTEREST GROUPS OPPOSE THIS LEGISLATION?

Groups, such as consumerists, environmentalists, and health interests, do not favor the legislation, but the intensity of the opposition probably does not equal the intensity of support.

9/25/75 5 pm Cabinet Rm w/Pres. Thurs
re. Subsidy for Tobacco
NW Gate

(Helm)

Y	Walter Jones	Gloria	x3101	
Y	Tim Lee Carter	Kathleen	x4601	
Y	Bill Wampler	Jane ^{wife}	x3861	- Tom Adams
Y	Tom Foley	Leslie ^(Sandy)	x2006	
W	Pete Peyser	Carla ^{Francie}	x5536	*
Y	Carl Perkins	Nancy	x4935	
Y	Bob Page	Chloe (Ruth)	x6105	

N	Dan Daniel	4711	- Fred Fletcher	+
Y	John Breckinridge	4706	- Carolyn	
Y	John J. Jettie		Cookie	



9/19/75

Memo to Weta Brown

From: Chas. Tappan

Subject: Telephone Calls

Please have the pres make
telephone calls for a meeting
with the President on the time to
increase the subsidy for tobacco.

The meeting is scheduled for 5 p.m.

Thursday, Sept. 15 in the Cabinet Room.

Members enter WH compound at New Gate.

Call the following House Members:

Rep. Walter Jones (N.C.)	Rep. Pete Peyser (N.Y.)
Rep. Tim W. Carter (Ky)	Rep. Carl Perkins (Ky)
Rep. Bill Wampler (Va.)	Rep. Bob Poage (Tex)
Rep. Tom Foley (Wash.)	

The Senate side is making calls to
selected Senators.

P.S. Max wants these calls
made this afternoon.

THE WHITE HOUSE
WASHINGTON

Date: 9/29/75

TO: Vern

FROM: Max L. Friedersdorf

For Your Information X

Please Handle _____

Please See Me _____

Comments, Please _____

Other pls mark participant
page at mtg.

THE WHITE HOUSE

WASHINGTON

September 20, 1975

MEETING WITH CONGRESSIONAL OPPONENTS OF TOBACCO BILL

Tuesday, September 30, 1975
12:00-12:30 p.m. (30 minutes)
The Cabinet Room

From: Max L. Friedersdorf *m.b.*

I. PURPOSE

To permit opponents of H.R. 9497, the bill increasing tobacco price supports to present their views to the President.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Both the House and Senate have passed without a recorded vote, a measure (H.R. 9497) increasing price supports for tobacco.
2. The President met last week with House Members supporting the bill and a number of Senators favoring the legislation could not attend the Presidential meeting due to Senate business.
3. Senators Brooke, Bellmon, Garn, Hatfield, Javits, Roth, Hugh Scott, Stafford, Percy, Case and Buckley wrote to the President, urging a veto based on Department of Agriculture estimates of a \$250 million cost over a 5-year period. (See Tab A)
4. Agriculture revised their estimate to \$55 million for the 5-year period. (See Tab B)
5. John Rhodes now recommends signing, based on the \$55 million figure and important linkage with the Turkish Aid vote.

B. Participants: See Tab C

C. Press Plan:

Announce to the Press, White House photographer only.

III. AGENDA See Tab D

IV. TALKING POINTS

1. I am pleased to have the opportunity to discuss the tobacco bill with members of the House and Senate.
2. There are a number of Senators and Congressmen supporting the bill, and I met with a delegation of proponents last week.
3. I have until midnight, Wednesday, October 1, to act. Before that time I plan to study all the pros and cons of the legislation before making a decision.
4. Both Secretary Butz and OMB Director Jim Lynn are here today. I would like to have the Congressmen and Senators give me their views, and then perhaps Earl and Jim can express themselves.

10064 GOVT NFWASHINGTON DC 203 09-19 324P EDT

PMS THE PRESIDENT

WHITE HOUSE DC

DEAR MR. PRESIDENT:

WE RESPECTFULLY REQUEST THAT YOU VETO H. R. 9497, THE BILL WHICH WOULD INCREASE TOBACCO PRICE SUPPORTS. THIS BILL, WHICH WAS RUSHED THROUGH THE SENATE WITHOUT A RECORD VOTE, WOULD COST THE TAX-PAYER \$240 MILLION MORE OVER THE NEXT FIVE YEARS THAN EVEN THE PRESEN

T
TOBACCO PRICE SUPPORT.

IT SETS A PRECEDENT WHICH IS DIRECTLY CONTRARY TO THE POLICY DIRECTIONS ESTABLISHED BY YOUR ADMINISTRATION. FIRST OF ALL, IT EXTENDS THE COSTLY FARM PRICE SUPPORT SYSTEM WE HAVE BEEN SEEKING TO CUT BACK.

SECOND, AND PERHAPS MORE IMPORTANT, IT CREATES A SUBSIDY FOR A DANGEROUS POLLUTANT AND CARCINOGEN. IT IS A NATIONAL GOAL TO REDUCE SMOKING AND TO ERADICATE CORONARY AND RESPIRATORY DISEASE AS WELL AS CANCER.

THEREFORE, IT IS IRRATIONAL AND DANGEROUS TO INCREASE THE ANNUAL SUBSIDY THE PUBLIC GIVES THE TOBACCO INDUSTRY. LAST YEAR, \$962.3 MILLION OF TAX MONEY WAS SPENT TO ERADICATE THE DISEASES TO WHICH TOBACCO IS A MAJOR CONTRIBUTING FACTOR.

FOR THESE REASONS, WE HOPE YOU WILL SEE FIT TO VETO THE BILL.

WE IN TURN PLEDGE OUR BEST EFFORTS TO SUSTAINING THAT VETO.

SINCERELY

EDWARD W BROOKE

HENRY BELLMON

JAKE GARN

*Add Senator Case/Buckley
per telephone call from
them*

MARK O HATFIELD

JACOB K JAVITS

WILLIAM V ROTH JR

HUGH SCOTT

ROBERT T STAFFORD

CHARLES H PERCY

NNNN

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Agriculture's Revised Tobacco Estimates

Ag's lowered estimate of the increased costs attributed to H.R. 9497 result from the following:

1. Later and higher estimates of production for this year's crop:

<u>Original Estimate</u>	<u>Revised Estimate</u>
(Million Pounds) *	
2,061	2,205

2. A change in the assumptions under H.R. 9497. Earlier the Department assumed that for comparison purposes production would be the same under both present and proposed legislation. For the latest estimate USDA assumes that even tighter planting restrictions would be imposed, as follows:

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>
	(Million Pounds) *	
1976	2,061	2,205
1977	2,269	2,060
1978	2,268	2,050
1979	2,235	2,040
1980	2,218	2,040

* Flue-cured and burley only

3. With the reduced production, the amount of surplus and CCC loan outlays would decline:

Net Outlays

(Million Dollars)

<u>Fiscal Year</u>	<u>Original Estimate</u>			<u>Revised Estimate</u>		
	<u>Current Law</u>	<u>H.R. 9497</u>	<u>Difference</u>	<u>Current Law</u>	<u>H.R. 9497</u>	<u>Difference</u>
1976	39	110	71	319	442	123
TQ	----not computed ----			105	139	34
1977	60	109,	49	24	-34	-58
1978	66	99	33	5	-12	-17
1979	102	150.	48	-14	-34	-20
1980	68	106	38	-25	-31	-6

(5 yr. average
is \$48 mil.)

(5 yr. average
is \$11.2 mil.)

4. In thinking about the prospect of lowering the acreage/poundage allotments by the 10%-15% as in the revised estimates, one should keep in mind

- there may be some political pressure in the future against such decrease (although the pressure to date has all been for such a decrease)
- the consequent increase in price will further erode the U.S. position in the world market, and exports will continue to decline
- the imposition of further production restrictions is directly contrary to the Administration's "full production" policy underlying the Farm Bill veto earlier this year.

PARTICIPANTS

The President
Secretary Butz
Assistant Secretary Bell

SENATE

Ed Brooke
Henry Bellmon
Jake Garn
Mark Hatfield
Bob Stafford
Jim Buckley
Chuck Percy

HOUSE

Pete Peyser
Al Quie

STAFF

Jack Marsh
Phil Buchen
Bill Seidman
Max Friedersdorf
Alan Greenspan
Jim Lynn
Jim Cannon
Ron Nessen
Dick Cheney
Vern Loen
Bill Kendall
Tom Loeffler
Jack Calkins

REGRETS

The Vice President
Sen. Javits
Sen. Roth
Sen. Hugh Scott
Sen. Case
Don Rumsfeld
Bob Hartmann

AGENDA

- | | |
|----------------------------------|--|
| 12:00-12:05 p.m.
(5 minutes) | The President opens the meeting and introduces the subject of the tobacco bill. |
| 12:05-12:20 p.m.
(15 minutes) | The President requests comments from all opponents who wish to be heard. |
| 12:20-12:25 p.m.
(5 minutes) | The President requests Secretary Butz and OMB Director Lynn to state their views on the legislation. |
| 12:25-12:30 p.m.
(5 minutes) | The President sums up the meeting and thanks the Congressional delegation for their recommendations. |
| 12:30 p.m. | The President concludes the meeting. |

w/Pres.

Sept 30, 1975

12:00 noon

Cabinet Room

NW Gate

Tobacco bill opponents
Tuesday

Y Peyser

5536

Francie

Y Quie

2271

~~many~~ Darcy



FOR IMMEDIATE RELEASE

OCTOBER 1, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

I return herewith, without my approval, of H. R. 9497, an Act "To amend the computation of the level of price support for tobacco."

Although I am concerned about the hardships that many United States tobacco growers have encountered this year due to adverse weather conditions and lower-than-expected export markets, the long-range interests of the grower will be best served by a vigorous domestic tobacco industry which can compete successfully in international markets. H. R. 9497 would be an obstacle in achieving this goal. In the face of slackening world demand for United States tobacco, higher prices would make our product less competitive, thus endangering the \$1 billion net trade surplus we now enjoy in this commodity.

At a time when we are attempting to reduce inflationary pressures in the economy by holding down the size of federal deficits, H. R. 9497 would increase budget outlays during this fiscal year and the transition period by an estimated \$157 million.

In summary, I believe this bill would adversely affect our tobacco exports, lower farm income in the long run and increase federal spending at a critical time in our economic recovery.

GERALD R. FORD

THE WHITE HOUSE,
September 30, 1975

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