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FM JIM CAVANAUGH
TO TERRY O'DONNELL
INFO DICK CHENEY
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OCTOBER 23, 1976

MEMORANDUM FOR THE PRESIDENT

ATTENTION: TERRY O'DONNELL
FROM: JIM CAVANAUGH
SUBJECT: FLUE-CURED TOBACCO

THERE IS A LOCAL ISSUE IN NORTH CAROLINA THAT GOVERNOR HOLSHOUSER OR GENE ANDERSON OF HIS STAFF MAY BRING UP. THE DEPARTMENT OF AGRICULTURE HAS ANNOUNCED THAT THE REFERENDUM DATE FOR THE NEXT THREE CROPS OF FLUE-CURED TOBACCO WILL BE DECEMBER 21ST. THE CONCERN IN NORTH CAROLINA IS THAT A NUMBER OF FARMERS WILL NOT BE ABLE TO PARTICIPATE IN THE REFERENDUM BECAUSE OF ITS PROXIMITY TO THE CHRISTMAS HOLIDAYS AND THEIR OUT-OF-STATE TRAVEL.

SUGGESTED RESPONSE:

I UNDERSTAND THAT THE DEPARTMENT OF AGRICULTURE HAS ANNOUNCED A DECEMBER DATE FOR THE REFERENDUM BECAUSE INFORMATION WILL NOT BE AVAILABLE UNTIL MID-NOVEMBER FROM MANUFACTURERS AND DEALERS REFLECTING THE QUALITY OF FLUE-CURED TOBACCO STOCK ON HAND AS OF OCTOBER 1.

THE U.S. DEPARTMENT OF AGRICULTURE IS AWARE OF THE CONCERN ABOUT THE DECEMBER 21ST DATE AND HAVE ASKED FOR COMMENTS AND RECOMMENDATIONS ON AN EARLIER DATE. I AM TOLD THAT THEY WILL REVIEW THESE COMMENTS ON OCTOBER 29TH AND WILL ANNOUNCE A FIRM DATE FOR THE TOBACCO REFERENDUM SHORTLY THEREAFTER. I EXPECT THAT A FIRM DATE WILL BE PRIOR TO THE DECEMBER 21ST DATE.

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THE WHITE HOUSE
WASHINGTON

3/18/76

TO: RON NESSEN

FROM: JIM SHUMAN 

This question may come
up in the President's
interview with the North
Carolina newspapers.

HART-KENNEDY TOBACCO TAX BILL

Q: What is your position on the Hart-Kennedy Tobacco Tax Bill?

A: At this time, my Administration is developing its position. We are studying the bill now in preparation for hearings on March 25 before the Committee on Labor and Public Welfare in the Senate. At that time, the Department of Health Education and Welfare will be testifying on the Administration's position on the health research aspects of the bill. Since this Committee does not have jurisdiction over taxation matters, Treasury will not be testifying, but they will probably oppose it if it comes up in the Senate Finance Committee.

Background:

S. 2902 is supported by Senators Hart and Kennedy. It would impose a tax on the tar and nicotine in cigarettes. The government would establish the tar and nicotine content annually. The tax which would start in 1977 and increase annually to 1980 at which time it would be 2½ times higher than the first year. The tax would finance the general medical research activities of a National Health Research and Development Advisory Commission.

As a tax measure, Treasury will oppose this bill. They estimate that it might result in a 30¢ per pack tax and revenues about \$7 billion per year. This contrasts with the current 8¢ per pack (about \$2 billion per annum) Federal cigarette tax. The tax would be regressive. It would reduce state tax revenues insofar as it reduced cigarette consumption. And it would provide excessive special funding for an activity which should be financed out of general Treasury revenues.

In the past, the Department of Agriculture has opposed increased taxes on tobacco. Already tobacco carries a heavy burden of taxes from local, state and federal levies. An increased tax burden would have a detrimental effect on the income of tobacco growers and on real estate values and real estate tax revenues at the local level.

PCL
3/17/76

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

September 30, 1975

MEMORANDUM FOR: RON NESSEN
FROM: JOHN G. CARLSON *JGC*
SUBJECT: SUMMARY OF TOBACCO SUBSIDY
 BILL (H.R. 9497)

The deadline for action on H.R. 9497, legislation to increase the Tobacco Price Support levels, is tomorrow, October 1.

At the present time, the level of price support is based on the cost of production for the preceding three calendar years. H.R. 9497 would amend the formula by using the three preceding marketing years, rather than calendar years. In other words, this would push the effective dates for computing the price support levels forward six months to a period of higher costs, thus higher support levels.

Proponents of the bill argue that this amendment in itself does not raise price support levels, but merely is a more accurate reflection of the higher production costs. They also point out that many tobacco growers have encountered hardships this year due to sub-par weather and lower than expected export markets.

Opponents of this legislation, including Secretary Butz and Jim Lynn who have recommended a Presidential veto, state that:

1. Higher prices would make our tobacco less competitive. A higher price per pound does not help a grower when he sells less and less tobacco.
2. Since over 50% of the growers have already sold their 1975 crop, this legislation would be inequitable because only a portion of the growers would benefit from higher support prices this year.
3. Approval of this legislation would be inconsistent with an earlier veto of the farm commodity price support bill in May. In addition, if this legislation is approved, we can expect a change in the formula used to compute the milk price support levels, etc.

(More)

4. In addition, this legislation would move us away from the Administration's goal of a more market-oriented agricultural sector of the economy.

U.S.D.A. originally estimated the cost of this legislation at \$250 million over a five year period. However, Agriculture has now revised their estimate down to \$55 million for the five-year period. Based on these new figures, John Rhodes now recommends signing, saying the \$55 million figure is not that high and this is important to go along with the Turkish aid vote.

September 26, 1975

SUBJECT:

PRESIDENT'S MEETING ON
TOBACCO BILL SUBSIDY

What was the outcome of the President's meeting with the
Congressional delegation supporting the Tobacco bill?

GUIDANCE: The meeting lasted about 50 minutes and during that time, seven Congressmen had a chance to give the President their views and explain why they felt the bill should be signed. (Several Senators were invited, but because of the key busing vote on the Hill, they felt they could not leave the Chamber.)

The President listened, asked a number of questions, and following the meeting said, "We'll take a real good look at it."

FYI: The present price support level for tobacco is 93¢ per pound. The pending legislation would increase that support level to 99¢ per pound. The current price is \$1.02.
END FYI.

JGC