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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.

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

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 tiplying—

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.

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