

## **Fair and Equitable Tobacco Reform Act of 2004**

The conference agreement provides for the termination of tobacco marketing quotas and related price support, compensation of tobacco quota holders and producers, and assessment mechanism for tobacco manufacturers and importers.

### **Tobacco Quota Holder Contract Payment**

- Eligibility: must be an owner of a farm for which a basic marketing quota or allotment was established for the 2004 tobacco marketing year
- Application: quota holder must provide applicable information to the Secretary
- Calculation of contract payments for quota holders with poundage quota: Basic quota poundage established for the 2002 tobacco marketing year owned by the quota holder multiplied by \$7 per pound
- Calculation of contract payments for quota holders with quotas other than poundage quotas: Basic quota or allotment for the 2002 marketing year owned by the tobacco quota holder multiplied by the average production yield per acre for the period covering the 2001, 2002, and 2003 crop years for that kind of tobacco. This number is then multiplied by \$7 per pound.
- Contract payments are paid out annually over 2005 - 2014 (1/10 compensation total per year)
- Provides the Secretary the authority to intervene in certain disputes regarding distribution of tobacco quota holder contract payments and provides for the assignment of contract payments in the death of a tobacco quota holder

### **Contract Payments for Producers of Quota Tobacco**

- Eligibility: must be an owner, operator, landlord, tenant, or sharecropper that shared in the risk of producing tobacco on a farm where tobacco was produced or considered planted
- Application: producer must provide applicable information to the Secretary
- Calculation of flue-cured and burley tobacco contract payments: Effective tobacco quota for the 2002 marketing year multiplied by variable rate per pound
- Calculation of contract payments for other kinds of tobacco: Basic tobacco or allotment for the 2002 marketing year multiplied by the average annual yield per acre of quota of quota tobacco produced on the farm for the period covering the 2001, 2002, and 2003 crop years for that kind of tobacco. This number is then multiplied by variable rate per pound.
- Variable payment rate for contract payments: The payment rate varies based on how many years of the following the producers marketed or considered planted tobacco: 2002, 2003, or 2004. If all 3 years, the producer receives the full payment rate of \$3/pound; if 2 of the 3 years, the producer receives 2/3 of the payment rate (\$2/pound); if 1 of the 3 years, the producer receives 1/3 of the payment rate (\$1/pound).

- Contract payments are paid out annually over 2005 – 2014 (1/10 compensation total per year)
- Provides for the equitable distribution of contract payments if two or more persons are a producer of the same quota tobacco and provides for the assignment of contract payments in the death of a tobacco quota holder

Allows the Secretary to use financial institutions to make contract payments, including lump sum payments.

### **Tobacco Trust Fund**

- The Secretary will assess tobacco manufacturers and importers quarterly for ten years based on class of tobacco products and market share.
- Funds will be used to make tobacco quota holder contract payments and contract payments for producers of quota tobacco and to reimburse the Commodity Credit Corporation for losses incurred for outstanding marketing loan costs and pool stocks.

### **Total Cost of Bill**

- \$10.14 billion over 10 years, all financed through the Tobacco Trust Fund