

Correspondence – Tobacco Association, Inc.

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*Agricultural
Rural Develop.*

TOBACCO ASSOCIATES, INC.

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July 24, 1974

The Honorable Jimmy Carter
Governor
1974 Campaign Chairman
Democratic National Committee
P.O. Box 1524
Atlanta, Georgia 30301

Dear Governor Carter,

I appreciate very much your letter of July 12, 1974 giving me an opportunity to set forth my views on tobacco for the consideration of your committee.

Tobacco is a major agricultural commodity that several hundred thousand farm families depend on for most or a significant part of their livelihood. About 400,000 farms in 25 states of the United States produce almost 2 billion pounds of tobacco on nearly one million acres each year. Although tobacco uses only 0.3 percent of the Nation's cropland, it is usually the fourth or fifth most valuable crop and accounts for about 6 percent of cash receipts from all U.S. crops. U.S. farmers receive annually about \$1.4 billion from tobacco sales. On many farms more than one family depends on the income from tobacco sales. So about 600,000 farm families, 20 percent of the Nation's farmers, share in the proceeds from the sale of tobacco. Tobacco is one of the few crops that can still utilize family labor and provide a reasonable income on a small farm. To produce and market an acre of tobacco requires about 400 man-hours.

The United States leads the world in both production and exports of tobacco. 1974 production will likely exceed 2 billion pounds, up 15% from 1973. Cigarette consumption at home and abroad will increase 3% in 1974. Domestic manufacture of cigarettes for the first 10 months of FY 1974 at 542.2 billion is up 38 billion from the same period of last year. Cigarette exports for the same period at 41.1 billion is up 16%. Raw tobacco exports at 594.7 million pounds, export weight, is also up 23%. We are headed in 1974 for our first billion dollar raw tobacco and tobacco export year and will contribute \$775 million to a favorable balance to the critical U.S. trade situation.

Federal, state and local governments collected about \$5,597,396,000 in direct taxes on the retail sales of tobacco products. More than 98% represented taxes on cigarettes - some \$5,508,491,000. Taxes on other tobacco products totaled about \$88,905,000.

The federal government's share was \$2,276,951,000, with cigarette taxes, at 8 cents per pack, accounting for 97.5 percent or \$2,221,019,000. About \$55,932,000 in taxes were collected for other tobacco products.

State taxes on all tobacco products totaled an estimated \$3,203,861,000. Of the total, \$3,171,091,000, or 99 percent, represented cigarette taxes and \$32,770,000 were collected from sales of other tobacco products. Local government tobacco taxes came to \$116,584,000. Of that amount, \$116,381,000, 99.8 percent, represented taxes on cigarettes. Local governments also collected \$203,000 in taxes on other tobacco products.

Employment. Tobacco manufacturers employ about 66,100 men and women representing hundreds of millions in payroll dollars.

Uncounted other persons are employed by organizations that serve the tobacco industry: flax-straw fiber for cigarette paper; factory machinery; plastics, paper, foil, cardboard and printing; trucking, shipping and advertising. A recent industry survey pointed out that yearly tobacco industry sales and capital investments generate more than 125,000 jobs, not including those involved in tobacco retailing and wholesaling.

There are an estimated 1.5 million retail outlets distributing tobacco products, with more than 5 million employees.

There is also an estimated 2,374 primary tobacco wholesalers. The 1973 trade estimate of the wholesale value of tobacco products is \$7,185,206,452.

Government Tobacco Programs. The Department of Agriculture administers laws to stabilize tobacco production and assure fair prices. Tobacco farmers, in excess of 90% favorable, through periodic referenda, have continually favored marketing quotas since 1941.

When growers approve marketing quotas, for a certain type of tobacco, price supports for it are mandatory. Under the price support program, the Commodity Credit Corporation (CCC) makes loans to farmers through their associations with the tobacco as collateral. The associations handle and sell the tobacco and repay the loans as the tobacco is sold. The realized cost of the price support program since its start in 1933 has been about 0.14 percent of the cost for all farm commodity price support operations.

The increasing demand for tobacco by many millions of people will continue even though confronted with health issues and other repressive issues. There is no serious thought of banning the sale of tobacco products either at home or abroad. Therefore, manufacturers will obviously strive to satisfy this demand and if they cannot obtain their tobacco requirements domestically then they will rely upon imports. Tobacco is a basic agricultural commodity under law and U.S. producers feel that they have every right to continue to earn their livelihood by producing tobacco to supply this worldwide demand. There is no substitute for tobacco in the south and to states like Kentucky, Tennessee, Virginia, North Carolina, South Carolina, Florida, and Georgia and tobacco is just as basic as corn is to Iowa or wheat to Kansas.

Tobacco is the most successful commodity program ever operated in this country. Since 1941, tobacco farmers have voted upon themselves production controls by majorities in excess of 90% in exchange for mandatory price supports. Since 1940, the Tobacco Stabilization Corporations have guaranteed to tobacco farmers parity of income over 55 billion pounds of tobacco at a cost of only 0.14 percent of the cost of U.S.D.A. price support operations. This indicates to me the determination of tobacco farmers to avoid government subsidies and make the program pay its own way.

In view of the above record of achievement of the tobacco farmer in the operation of his program; the economic value of tobacco to the Nation; the contribution in the form of municipal, state, and federal taxes, it is most difficult for farmers to understand the unrelenting efforts on the part of a small element of our political life that is determined to destroy the entire tobacco industry and deprive 600,000 tobacco farmers a means of livelihood.

The tobacco program is constantly under attack from two major groups of people:

1. Those agricultural economists who believe in a 100% free economy offering a free market with farm prices dictated entirely by the current law of supply and demand. This group seeks to eliminate production controls and price supports and carry the tobacco farmers back to the Bust and Boom days of the twenties and thirties.
2. The health zealots and crusaders who by legislation would tell us what we may or may not consume. This group conducts a militant campaign using highly exaggerated and unsupported health claims. Realizing that the American citizen will not totally ban tobacco, they resort to segregation in travel; ban of smoking in public

places; and are now engaged in injury by association. These zealots also oppose any government expenditure for price support, research, or market development for U.S. tobacco or tobacco products.

I sincerely feel in view of the sacrifices and dedication that tobacco farmers have shown for the past 40 years that approval of their program should be written into the agricultural platform of our major political parties on both state and national levels and that candidates running for office in 1974 should commend their efforts.

Respectfully submitted,


Joseph R. Williams
President

JRW:ac

August 1, 1974

Mr. Joseph R. Williams,
President
Tobacco Associates, Inc.
Suite 912, 1101 Seventeenth St., N.W.
Washington, D.C. 20036

Dear Joe:

Thank you for your letter of July 24. I have asked my staff to carefully review the information you included regarding the production and exportation of tobacco. I am enclosing our issue analysis papers on agriculture and rural development which may be of interest to you.

Please let me continue to have the benefit of your thinking.

Sincerely,

Jimmy Carter

JC/scg
Enclosure