

North Carolina in tobacco farm employment, and third in manufacturing. The most prominent factor in this area, however, is the fact that Kentucky ranks first in tobacco warehousing.

That is particularly impressive to Lexingtonians, because this is the world's largest burley market, and that segment of the industry is the backbone of local economy.

We hope that Gov. John Y. Brown, Jr., in making the report to a meeting of tobacco men here, caught the significance of the figures on Kentucky's per-pack tax on cigarettes. The state in 1979, collected \$21.3 million in this category, and its tax is only 8 cents a pack.

We still maintain that the tax could be doubled, offering relief for state revenue shortfalls and at the same time having a negligible effect on cigarette sales. Increasing the per-pack levy certainly is something Gov. Brown and the General Assembly should consider next year.

The Wharton report comes at a time when things are looking up for Kentucky burley farmers. Both poundage quotas and support prices have been increased for this season. Demand by buying companies probably will be greater this year.

The report should also give a new image to tobacco and its importance in the eyes of all Kentuckians, because there are few who aren't touched by the economies of the leaf industry.

Mr. FORD. Madam President, I think of all of the debate we have had on this issue in the past and there has been no change now. I urge my colleagues to vote as they have in the past.

Mr. HUDDLESTON. Madam President, I yield 2 minutes to the Senator from Virginia.

Mr. WARNER. I thank the distinguished Senator from Kentucky.

Madam President, the law states that, should tobacco producers vote to adopt marketing quotas, as a supply control measure, the Government is required to provide price support. The method used to support tobacco prices is nonrecourse loans from the Commodity Credit Corporation, with tobacco held as collateral.

Since 1971, the amount of new loans made each year has ranged from \$30.1 million to \$315.8 million, with the average being \$173.3 million per year. New loans in fiscal year 1980 amounted to \$172.0 million.

Over the past 10 years, loan repayments have come within \$24 million of equalling new loans that were made. There were large differences from year to year, but over the long run, repayments and loan outlays have approximately balanced.

This is exactly how the loan program is designed to work, and the year-to-year variation between repayments and new loans is simply the manifestation of the success supply stabilization feature of the price support program.

It is the loan program that absorbs some of the shock of production variation due to weather. Without stocks of tobacco under loan, the supply shocks would produce greater market price variation. The loan program works to stabilize the tobacco market.

A small amount of tobacco has been sold out of the loan program at a loss to the Government. These losses on tobacco sold from loan stocks, plus other associated costs and recoveries, have totaled \$1.66 million over the past 10 years, an

average of \$166,000 per year. In fiscal year 1980, the CCC showed a net loss of \$36,000 on its loan activities.

The low net loss on tobacco loan activities of the past 10 years typifies the program since its inception. Since 1933, the cumulative loss on loan activities has amounted to only \$56.7 million. Comparable losses for all other commodities is \$69 billion.

I ask unanimous consent that a document entitled "Facts About Tobacco Price Support Program" be printed at this point in the RECORD.

There being no objection, the information was ordered to be printed in the RECORD, as follows:

#### TOBACCO PRICE SUPPORT PROGRAM

##### 1. Who Benefits?

Farmers. Tobacco is the principal cash crop on 276,000 farms in 22 States. The price support "loan" is made to farmers on tobacco that is not sold the day it is brought to market. The "Tobacco Stabilization Cooperative" takes possession of the tobacco, processes it, and sells it at a later date. The farmer is then paid for his tobacco, and thereupon repays the "loan." The average tobacco allotment is 4.4 acres—so we're talking about relatively small farmers benefiting most.

##### 2. Is there a tobacco subsidy?

No. The price support loans are all repaid when Stabilization sells its stocks. In fact, because the stocks are sold at a profit by Stabilization, the government actually realizes a profit. CCC had a net gain of \$827,000 on tobacco price support operations in 1978, with \$88 million more repayments in outstanding loans in 1980 than new loans offered.

3. Does the tobacco program encourage smoking—The health issue.

No. Here's what HEW says:

"... if the (tobacco) program has any effect at all on public health it is favorable. The purpose of the program is to stabilize tobacco production, and, thus, assume fair prices to the farmer. If the program were to be withdrawn, though, prices would fall, and cigarettes might become less expensive, possibly encouraging more young people to smoke."

##### 4. Tobacco taxes

U.S. farmers received about \$2 billion for their tobacco crop last year.

The federal government received \$2.4 billion in direct taxes.

States, counties, and cities collected almost \$4 billion more, for a total of \$6,305,521,000 in direct taxes on tobacco.

##### 5. Balance of trade

One-third of all U.S. tobacco is exported—to the tune of \$2.5 billion in 1980. The favorable balance of trade in tobacco was \$1.69 billion.

##### 6. Farm income stabilization—the bottom line

USDA projected a decline in farm income of 20-24 percent for 1980. A discontinuation of this program would further exacerbate the depressed economic situation and cause massive foreclosures in the 8 states where tobacco is a leading crop.

##### 7. Caution

The tobacco program is uniquely suited to that commodity alone because of its geographic concentration. Unlike other crops that can be grown anywhere, tobacco is concentrated in the Southeast—with 67 percent in N.C. alone.

Mr. MITCHELL. Madam President, I will vote for the pending proposal to reduce spending in the budget resolution by \$79 million by eliminating the costs the administration has identified in connection with the tobacco program.

This resolution purports to be a bare-bones budget, containing only the most essential spending for our national defense, for our economic recovery and for the survival of the most needy in our society. At a time when inflation is eroding the purchasing power of the wages of working men and women and the pensions of retirees, the goal of a bare-bones budget is a laudable one.

All Americans are prepared to scale back their demands for programs and services if we have, in truth, a budget that contains only the minimal amounts absolutely essential for Government operations.

But the presence in this resolution of funding of \$79 million to encourage the production of a commodity which the Government itself has identified as positively harmful to human health—a commodity, moreover, whose growers claim is in no need of a subsidy—is inconsistent with our objective.

During our first budget-cutting debate, the majority in the Senate decided we could not afford \$80 million for vocational education costs—a program that helps young people prepare to hold productive, taxpaying jobs in our economy. That majority decided we could not afford to pay for the costs of rural health care centers—low-cost clinics which serve people who have no ready access to physicians. That majority even determined that we could not afford \$6 million to maintain a program of immunization for America's children.

Yet, this resolution says that we can afford \$79 million to continue to support the production of a commodity which is not a food source, has no medicinal value, and has been associated with the most serious and life-threatening illnesses.

If the Senate determines that tobacco program costs cannot be cut, then we have plainly established the wrong priorities in this budget. How can anyone stand before the American people and say that we cannot afford \$6 million to protect our children from disease, but we can afford \$79 million to subsidize the growing of tobacco?

Various claims have been made for public support of spending cuts: The majority of those claims rest on reasonable grounds. But I have seen no evidence to support the contention that the public desire for budget cuts, reallocation includes a desire to protect the expenditure of \$79 million to grow tobacco.

The PRESIDING OFFICER. Who yields time?

The Senator from Ohio.

Mr. HUDDLESTON. Madam President, I reserve the remainder of my time.

Mr. METZENBAUM. Madam President, I was pleased to hear the comments of my distinguished friends addressing themselves to this issue.

As a matter of fact, I am not prepared to stand here and say they are 100 percent wrong, because they are not. They are partially right. But their figures tell only a small part of the story.

They do not reflect the fact that we have \$840 million in price support loans outstanding, some as old as 7 years, and almost all of which are far below the cost of money to our Government.