



MEMORANDUM

October 31, 2013

TO: Tobacco Growers and Industry Stakeholders
FR: Brent Leggett, President,
RE: 2014 Tobacco Buyout Payments

There have been reports (rumors) the past several days that FSA may not administer the final buyout payment scheduled for next January. One slant on the topic is that FSA would essentially charge 7.3% against the balance, due to sequestration.

This information is cause for serious concern if it becomes reality. Attached to this letter is a copy of an FSA memo TGANC has obtained that lists which programs administered by FSA will be affected. The buyout payments, identified as Tobacco Transition Payment Program (TTPP) is on the list.

TGANC strongly disagrees with this developing policy opinion by FSA. An argument is being presented that the TTPP is not party to the subsidized government taxpayer funded FSA programs. It is specific legislation that established a contract between growers and quota holders and USDA in 2004 to surrender the rights of the federal administered tobacco program at that time. The funds are not tax based in origin. The government passed legislation to authorize the buyout and the role of the government is to administer the distribution of the funds, for which it is compensated to carry our facilitation and for necessary expenses.

Many recipients elected to securitize their eligible payments and opted for lump sum payments. This action would further implicate such lending institutions as a party to solvency of the TTPP absolute value established by congress.

There is no final determination regarding the ultimate fate of this discussion at this time. Please rest assured that TGANC has already begun the efforts to engage our government officials at every level to describe our concerns and disagreement with any interference of the final scheduled TTPP payment.

We will continue to monitor this situation and will work hard to do everything necessary to avoid any reductions in the final year payments.