Original FOIA Number: 2003-0255-F

2nd FOIA Number:

3rd FOIA Number:

4th FOIA Number:

5th FOIA Number:

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group:	Bush Presidential Records
Office:	Records Management, White House Office of (WHORM)
Series:	Subject File - General
Scanned/Unscanned:	Scanned

WHORM Category Code:	**FO004-02**	
WHORM Category Name:	**Loans - Funds**	
Document Number:	**210699 to 243175**	**Entire Category Processed**
Alpha File Name:		

ID# 210699

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

FO 004-02

INCOMING

DATE RECEIVED: FEBRUARY 06, 1991

NAME OF CORRESPONDENT: MR. KIRK WAYNE

SUBJECT: URGES THE PRESIDENT TO EXPEDITE APPROVAL OF TARGETED EXPORT ASSISTANCE FUNDS TO ENABLE TURKEY TO DOUBLE ITS CAPABILITIES OF PURCHASING U.S. PRODUCED TOBACCO

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION: ACT CODE	ACTION: DATE YY/MM/DD	DISPOSITION: TYPE RESP	DISPOSITION: C D	DISPOSITION: COMPLETED YY/MM/DD
JEFF VOGT	ORG	91/02/06		C	91/03/18
REFERRAL NOTE: USDA					
99 DOA	R	91/03/~~18~~ 20		A	91/03/28 WS
REFERRAL NOTE:					
		/ /			/ /
REFERRAL NOTE:					
		/ /			/ /
REFERRAL NOTE:					
		/ /			/ /
REFERRAL NOTE:					

COMMENTS: ENCLOSURES

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 4200

PL MAIL USER CODES: (A)______ (B)______ (C)______

*ACTION CODES:	*DISPOSITION	*OUTGOING CORRESPONDENCE:
*A-APPROPRIATE ACTION	*A-ANSWERED	*TYPE RESP=INITIALS OF SIGNER
*C-COMMENT/RECOM	*B-NON-SPEC-REFERRAL	CODE = A
*D-DRAFT RESPONSE	*C-COMPLETED	*COMPLETED = DATE OF OUTGOING
*F-FURNISH FACT SHEET	*S-SUSPENDED	
*I-INFO COPY/NO ACT NEC		
*R-DIRECT REPLY W/COPY		
*S-FOR-SIGNATURE		
*X-INTERIM REPLY		

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75,OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

28 MAR 1991

Mr. Kirk Wayne
President
Tobacco Associates, Incorporated
Suite 512
1725 K Street, NW
Washington, DC 20006

Dear Mr. Wayne:

Thank you for your letter to the President regarding Tobacco Associates' successful Targeted Export Assistance (TEA) program in Turkey.

The request submitted by Tobacco Associates, in which you expressed interest, seeks authority to utilize TEA funds to purchase a toaster, some other minor control and monitoring equipment, and to provide consultant services to enhance a new cigarette blending line in a facility operated by the Turkish State Tobacco Monopoly (TEKEL). Our review of the proposal has affirmed that the request is a viable amplification of Tobacco Associates' successful program in Turkey. Accordingly, the Department has approved the request.

Sincerely,

Duane Acker

DUANE ACKER
Administrator

cc: Sally Kelley, Director of Agency Liaison, Presidential Correspondence
Agency Liaison, Room 91, The White House, 20500

Clearances: TCSD__________ AA/CMP__________ INFO__________

CCC__________ LAO__________

cc: Censky, Dickerson, Mackie, CCO, TCSD

FAS/TCSD/THoroschak/382-9488/dmw/3-22-91/

04-A67555

THE WHITE HOUSE OFFICE

REFERRAL

MARCH 20, 1991

TO: DEPARTMENT OF AGRICULTURE

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 210699

MEDIA: LETTER, DATED FEBRUARY 4, 1991

TO: PRESIDENT BUSH

FROM: MR. KIRK WAYNE
PRESIDENT
TOBACCO ASSOCIATIES, INC.
SUITE 512
1725 K STREET, NW.
WASHINGTON DC 20006

SUBJECT: URGES THE PRESIDENT TO EXPEDITE APPROVAL OF TARGETED EXPORT ASSISTANCE FUNDS TO ENABLE TURKEY TO DOUBLE ITS CAPABILITIES OF PURCHASING U.S. PRODUCED TOBACCO

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

A-67555 04 210699

FAS

TOBACCO ASSOCIATES, INC.
SUITE 512
1725 K STREET, N. W.
WASHINGTON, D. C. 20006

TELEPHONE:
828-9144
AREA CODE 202

TELEX: 64361 TOBASIN
FAX: 202/828-9149
WASHINGTON, D. C., U. S. A.

91 MAR 20 A 7:33

J. Vogt

February 4, 1991

The Honorable George Bush
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I wish to bring to your attention a matter of great importance to the livelihood of 4000 U.S. farm families, our Nations trade balance, and cooperation with our ally, Turkey.

The matter involves our re-allocation of approved Targeted Export Assistance funds to enable Turkey to double its capabilities of purchasing U.S. produced tobacco. The re-allocation procedure calls for no increase in U.S. Government expenditures.

The results of our proposal would be as follows:

1) Increased tobacco exports over the next two years of $100 million.

2) Provide the income for 4000 tobacco farms for the next two years.

3) Continue a cooperative project with the Turkish State Tobacco Enterprise that has the interest and full support of the highest Turkish Government Officials (including President Ozäl and Ambassador Kandemir).

The matter is now awaiting approval of Undersecretary Richard T. Crowder, U.S. Department of Agriculture.

Details of our proposal are enclosed. Your support in encouraging an expedient approval of our request will be greatly appreciated.

Sincerely,

Kirk Wayne

Kirk Wayne
President

KW/sash

Enclosures

THE WHITE HOUSE

WASHINGTON

ORM OPTICAL DISK NETWORK

ID# 210699

____ Hardcopy pages are in poor condition (too light or too dark).

____ Remainder of case not scanned.

____ Oversize attachment not scanned.

____ Report not scanned.

__✓__ Enclosure(s) not scanned.

____ Proclamation not scanned.

____ Incoming letter(s) not scanned.

____ Proposal not scanned.

____ Statement not scanned.

____ Duplicate letters attached - not scanned.

____ Only table of contents scanned.

____ No incoming letter attached.

____ Only tracking sheet scanned.

____ Photo(s) not scanned.

____ Bill not scanned.

____ Resolution not scanned.

____

Comments:

____

____

Date: November 27, 1990
Participant: Tobacco Associates
APAR Number: 9101

T.E.A. Activity Plan Amendment Request (APAR)

This is to request the approval of F.A.S. to make the following changes in our Activity Plan Budget.

I. Proposed Fund Transfer:

	Activity Plan Code	Commodity Group Code	Country Code	Constraint Code	Activity Number	Cost Code	Amount
From:	9101	2TO	KS	C-90	B004T	90	$170,000
	9101	2TO	TW	C-90	B006T	90	$200,000
	9101	2TO	TW	C-90	B007T	90	$ 80,000
	9101	2TO	TH	C-90	B008T	90	$200,000
	9101	2TO	TH	C-90	B009T	90	$100,000
	9101	2TO	BU	C-90	B012T	90	$100,000
					Total		$850,000
To:	9101	2TO	TU	C-90	B001T	90	$850,000

The additional budget for Turkey would be used to purchase a toaster, some minor control and monitoring equipment, and provide for the required consultant services to make a new cigarette blending line operational. The cost of equipment is estimated to be $650,000 ex-manufacturer location in the U.S. The Turkish government will pay the freight and insurance charges for shipment of the toaster which will amount to an estimated $175,000. The cost of consultant services is estimated at $200,000.

II. Activity Description:

The purpose of this amendment is to add funds needed to develop a second blending line under the leaf utilization activity (B001T) in Turkey.

Stage One The first stage of the cooperative project to develop American blend cigarettes in Turkey is now complete in the sense that one blending line in the Tokat cigarette factory (which houses three cigarette making lines) has been converted to making the American blend Tekel-2000. In addition to the initial engineering and production assistance provided by TA consultants, purchases of certain machinery, training of production machinery operators, and etc., TA has provided on-going training and assistance in the areas of quality control and unmanufactured tobacco inventory procurement and management. The Tokat cigarette factory currently runs two work shifts a day on the American blend line and uses U.S. flue-cured and Burley tobacco at the rate of 6,000 metric tons annually valued at $45 million FOB U.S. port. It is also important to note that TEKEL has graduated from buying only aged tobacco in the early stages of this activity to become a significant purchaser of green tobacco on the U.S. tobacco auction floors during the 1990 marketing season.

Stage Two TEKEL proposes to move ahead with further expansion of their capacity to manufacture American blend cigarettes by converting another of the remaining two lines in the Tokat factory to make TEKEL 2000's.

The new line will involve a considerable investment by TEKEL. They plan to order "change parts" to upgrade 10 cigarette makers and packers at a cost of $3 million. The new value of these 10 maker/packers is more than $10 million and they have been in use for less than five years.

It will also be necessary for TEKEL to increase the capacity of the "primary" section of the Tokat factory. This will involve the purchase and installation of new conveyor systems, cutters, blending silos, and other locally produced equipment at a cost of about $3.5 million. An additional need for the primary department is a new toaster.

When completed this second blending line will have utilization capacity to consume 5,000 additional tons of U.S. flue-cured and Burley tobacco annually based on a single shift operation or more than 7,000 metric tons if double shifts are used.

TEKEL has asked Tobacco Associates to buy the toaster and to provide engineering and production consultation and training for the new activity. If we refuse, according to TEKEL, the expansion will be delayed for at least two years because they estimate it will take them that long to get the necessary approval from the Turkish government for the purchase of an imported toaster.

If TA can provide the toaster, TEKEL will more than double the production capacity for American blended cigarettes by September 1, 1991 from the current 6,000 metric tons to 13,000 metric tons annually. TEKEL has indicated they will continue to use U.S. flue-cured and Burley tobacco in the expanded operation. This expansion would make Turkey a regular customer for 12,000 to 13,000 tons of U.S. unmanufactured tobacco with an annual trade value of $80 to $100 million.

Stage Three If we can assist TEKEL over the next several months in making the second blending line operational. TEKEL will, in 1992, change the parts on 10 additional maker/packers and use them on the second blending line. Thereby increasing its capacity by an additional 6,000 metric tons and boosting to total American blend cigarette capacity at the Tokat factory to 18,000 metric tons annually by the spring of 1992. The results of this project would be a new market in Turkey for $130 to $150 million in U.S. tobacco exports annually.

TA consultants need to make sure that the new expansion is carried out according to proper technical specifications. If TA buys the new toaster for TEKEL our consultants will need to be involved in inspections and acceptance from the manufacturer, installation, and advising TEKEL operators on proper use and maintenance.

The product manufactured on the new line will be identical to the T-2000 in all respects. TA's consultants will insure that the products manufacturered on the two lines are indeed identical. The leaf blend and taste will be the same. Working with TEKEL on this activity will guarantee the U.S blend is maintained.

III. Justification for Transferring:

The TEA funds needed for Tobacco Associates to participate in the Turkish expansion during FY 1991 will be taken from Korea, Taiwan, Thailand, and Bulgaria. In our judgement the potential returns from the TEKEL activity are considerably greater than anticipated returns from other projects in the plan which can be slowed down to some degree. However, we should still have sufficient funds to complete the current activity in Korea without any slow down as the targeted launch date for the new American blend product is currently the spring of 1991 and cost are currently running slightly under the level of our earlier estimates.

The re-allocation of TA's cash contribution budget to the activities affected by this amendment is as follows:

Country Code	Activity Number	Pre- Amendment Budget	Post-Amendment Budget
TU	B001T	$ 90,000	$472,500
KS	B004T	$301,500	$225,000
TW	B006T	$238,500	$148,500
TW	B007T	$ 36,000	-0-
TH	B008T	$179,100	$ 89,100
TH	B009T	$ 45,000	-0-
BU	B012T	$ 45,000	-0-
TA's cash contribution		$935,100	$935,100

The Contribution ratio of the overall activity plan will not be effected by this amendment.

As additional justification to support the APAR, we respectfully submit that it would be difficult to find stronger reasons for approval of this proposal than the statements made by Mr. Adnan Kasay, Acting Director General, TEKEL in his letter of October 11, 1990 (as acted upon and approved by TEKEL's Board of Directors) to Tobacco Associates (copy attached).

This amendment will increase the budget for activity number B001T by more than 25 percent. Therefore, approval by the Assistant Administrator of Commodity and Marketing Programs is required (per Mackie memo October 2, 1989, Subject: MPAR/APAR Clearance Procedures) for this APAR.

The proposed amendment has been discussed with the Agricultural Officer in Istanbul. We are requesting his written approval of the amendment via Fax copy of this APAR (date faxed November 27, 1990).

The Agricultural Offices in Seoul, Taipei, Bangkok, and Belgrade will receive an information copy of this amendment.

Requested By:

Ronald L. Whitehead
Vice President
Tobacco Associates, Inc.

Date: 27 Nov. 1990

Approved By:

Agricultural Officer
Istanbul Turkey

Date:

Commodity Division Director
Date:

Marketing Operations Staff
Date:

Assistant Administrator
Commodity and Marketing Programs
Date:

ATTACHMENT TO APAR 9101 - TOBACCO ASSOCIATES, INC.

TEKEL

THE GENERAL DIRECTORATE
OF TOBACCO, TOBACCO PRODUCTS. SALT AND ALCOHOL ENTERPRISES
CIGARETTE INDUSTRIES DIVISION

Department :
Branch :
Number : 15.10.90* 09784

Istanbul 11.1990

Subject :

TOBACCO ASSOCIATES, INC.
1725 K STREET N.W. SUITE 512
WASHINGTON, D.C., 20006

For the attention of Mr. R.Whitehead

Dear Sirs,

The TEKEL 2000 cigarette is the product of cooperation between TEKEL and TOBACCO ASSOCIATES. This started in 1987; the new brand was launched in 1988 and was well received by the smoker.

As a result of market research and demand TEKEL has decided to increase the production of T 2000. In line with this decision, it was agreed to allocate half the capacity of the Tokat Cigarette Factory, where T 2000 is currently being manufactured. The product of the new line will be identical to that of the current line in quality, formula, leaf blend an taste.

We wish for the support of TOBACCO ASSOCIATES and that the cooperation which led us to success in the past shall continue in this project, too. Together we hope to achieve even greater successes.

Yours faithfully,

ADNAN KAŞAY
Acting Director General of
TEKEL

2) Assistance at this stage of expansion will also allow TEKEL to realize its plans to devote additional cigarette makers to the production of the American Blend Cigarette. The results would be an increase in the factory's production of the cigarette to 18,000 metric tons annually by the spring of 1992 for an annual value of $130 to $150 million.

3) The Amendment Request requires no additional funding in that the stage of other approved TA TEA Activities can be adjusted to accommodate the funding requirements of TEKEL's request, thereby taking advantage of an expansion project that will yield immediate and long term exports for U.S. tobacco farmers.

4) The history and success of the American Blend Cigarette project (between TA and TEKEL) is well known and supported by the highest level Turkish Government officials including President Özal.

5) TEKEL has stated to TA "the product of the new line will be identical to that of the current line in quality, formula, leaf blend and taste." (Copy of letter acted upon by TEKEL's Board is attached.)

Action needed

Immediate approval by FAS/USDA of TA's Amendment request. According to TEKEL officials, lack of TA's cooperation at this time will delay their expansion possibilities by at least two years.

BACKGROUND MATERIAL

TEA ACTIVITY PLAN AMENDMENT REQUEST

SUBMITTED BY: TOBACCO ASSOCIATES, INC.

TEA Program Background

1) Tobacco Associates, Inc. (TA) is the authorized participant eligible to access Targeted Export Assistance (TEA) funds for the use in promoting exports of U.S. produced tobacco.

2) TA's TEA Activity plan number 9101 was submitted to USDA and approved October 2, 1990 by the Assistant Administrator Commodity and Marketing Programs, FAS, USDA.

3) Funds for conducting FY 1991 program activities under TEA were appropriated by the 101st Congress.

Situation

Following USDA approval of the FY 1991 TEA Activity plan TA received a request from the Turkish State Tobacco Enterprise (TEKEL) for assistance in doubling the production capacity to meet Turkish consumer demand for their newly developed American blended cigarette that contains significant quantities of U.S. produced flue-cured and Burley tobaccos.

TA Action

1) TA judged the request of TEKEL to be reasonable and one that would greatly bolster immediate and long term exports of U.S. produced flue-cured and Burley tobaccos.

2) Exercising prudent management judgement TA submitted to FAS/USDA a TEA Activity Plan Amendment Request dated November 27, 1990. The Amendment Request will allow TA to transfer within their approved FY 1991 TEA Budget an amount necessary to accommodate TEKEL's request.

Benefits of Amendment Request

1) TEKEL's request for equipment and support in their expansion proposal will make Turkey a regular customer for 12,000 to 13,000 metric tons of U.S. unmanufactured tobacco with an annual trade value of $80 to $100 million. Present annual purchases total 6,000 metric tons at a value of $45 million.

TOBACCO ASSOCIATES, INC.
SUITE 512
1725 K STREET, N. W.
WASHINGTON, D. C. 20006

TELEPHONE:
828-9144
AREA CODE 202

TELEX: 64361 TOBASIN
FAX: 202/828-9149
WASHINGTON, D. C., U. S. A.

January 30, 1991

Mr. Richard T. Crowder
Under Secretary
International Affairs & Commodity Programs
Department of Agriculture
Office of the Secretary
Washington, D.C. 20250

Dear Secretary Crowder:

The following will put forth a more detailed explanation of Tobacco Associates' position on the issues raised in our January 24, 1991 meeting with you regarding our TEA Activity Plan Amendment Request (APAR).

1. In our studied judgement, the APAR clearly falls within the industry's standard for a demonstration/training activity. (see detail Attachment I)

2. We are aware that other non-profit agricultural organizations have in the past, and are currently, utilizing TEA funds to conduct similar demonstration projects on a much larger scale that Tobacco Associates has ever requested. We do not want preferential consideration of our projects, but we do desire even-handed treatment.

3. All of Tobacco Associates' Agreements with FAS and the Turkish State Tobacco Enterprise (TEKEL) are now, and always have been, completely compatible and compliant with policies and other guidelines for operating the TEA program. (see detail Attachment II)

4. The historical use of TEA funds and the clear Congressional intent for the new Market Promotion Program (MPP) funds places a strong emphasis on priority use by non-profit agricultural trade organizations. To my knowledge, no private company has ever been allowed to establish a demonstration project with TEA funds. (see detail Attachment III)

I wish to enumerate several important factors relative to our APAR.

1. The APAR requests no additional funding.

2. Implementation of the APAR will result in a market expansion of $100 million additional leaf tobacco exports to Turkey over the next two years. This additional purchase by Turkey cannot be made without the activity requested in our APAR.

3. The return on investment called for in our APAR exceeds 100 to 1 over the next two years, without calculating long-term future sales.

4. Based on USDA statistics for tobacco production units and marketings, an additional $100 million of leaf tobacco purchases by Turkey over the next two years will sustain the farmer income for 1000 flue-cured tobacco farms and just under 3000 Burley tobacco farms.

5. The highest level of Turkish Government officials (including President Ozal and Ambassador Kandemir) have stated their "complete support" for our continuation of the project with TEKEL as requested in our APAR.

6. Political and business relations with Turkey are at great risk of damage if we fail to continue cooperation in such obvious areas of mutual benefit.

7. Tobacco's current $5 billion trade surplus will be further bolstered by the results of our APAR because of the development of an expanded leaf tobacco market for the future.

Your expedient approval of our APAR will be greatly appreciated. TEKEL is now in a very difficult position regarding timely decisions on expansion and tobacco purchase plans.

Sincerely,

Kirk Wayne

Kirk Wayne
President

KW/edr
Attachments

ATTACHMENT I

A demonstration project/activity is designed to meet the objective of clearly illustrating and proving by practical means that a given result will take place.

In the training and demonstration activities being conducted in Turkey, Tobacco Associates, Inc. (T.A.) is providing basic equipment and advice that is resulting in the transfer of technology, knowledge, and product awareness which can be classified as an "entry level" or "fundamental" which is to be built upon in future demonstration and technical transfers.

By customary industry standards this stage, phase, or level (Stage I) would be considered less than adequate to position a manufacturing entity to enter the market place. TEKEL (The Turkish State Tobacco Enterprise) has taken a calculated risk resulting in the launch of a successful product into their market. Additional technological advances need to take place to continue this success and further increase exports of U.S. leaf tobacco.

Many cigarette factories around the world are based on a single line primary processing department supplying multiple departmentalized secondary (making and packing) units. Other factories, such as those found in Turkey, are designed on a split primary with the factory divided into two halves supplying the secondary group or department.

Using the whole factory concept, TEKEL and T.A. agreed, with USDA/FAS approval, to install for demonstration purposes (as a technical teaching aid) a full primary and secondary using the half factory or single line concept. Originally, half of the factory at Tokat, Turkey was made available. It became apparent to Turkish authorities, TEKEL officials, FAS officials and T.A. that this was physically possible, but not politically practical because it would in the short term lower the industry's/country's total production capacity for oriental cigarettes. Stage I was developed to use available factory floor space for a much smaller temporary unit which would prove to the Turkish political community that TEKEL could learn and produce an acceptable blended U.S. product. This temporary demonstration unit would then be expanded to increase knowledge and demonstration capacity as necessary and practical.

ATTACHMENT I (PAGE 2)

In the production of cigarettes, within certain bounds, a small capacity primary demonstration unit can be as inexpensive or as expensive as a large unit. The cost escalates with the increase in sophistication of equipment and when technical advances are incorporated. The more advanced lines/units have certain obvious advantages (such as flexibility, lower production cost, increased efficiency, quality assurance, and other production safe guards). However, the advanced lines are difficult on which to begin demonstrations and training with an inexperienced industry.

When volume production takes place on a complex primary, the results of improper processing will be compounded and adversely affect leaf utilization. Totally different methods are employed in operating simple verses complex primary units. Also, quality assurance procedures and quality control methods are different in the two types of units. The Turks have been well advised on the basic process in stage I as preparation for more advanced complex production units (Stage II).

The stage II phase of the primary in Tokat will include the above mentioned concepts. One of the major and most complex items in the primary processing system is the toaster. The Burley toaster increases bulk absorption power of the tobacco and creates an environment for a complex chemical reaction to take place. The toaster and its product has a direct effect on all other items used in the primary and how the other types of tobacco are selected, blended and processed. The tobacco that is toasted experiences the most radical changes in the process [moisture, or oven volatiles vary from 53.8% bone dry basics (BDB) to 8.7%, temperatures reach as high at 270°F and the time in the toaster can be 15 to 40 minutes]. Industry standards require the toaster to be operated by a microprocessor control system as compared to the manual operator adjusted system now used in stage I.

<u>The toaster is the most important item to be used as an instructional aid as it effects all other parts of the system.</u> Critical path analysis proves that it is imperative to have a technical understanding and training on this unit.

Secretary Crowder
January 30, 1991

Attachment II

We reiterate that all our agreements with FAS and TEKEL are now, and always have been, completely compatible and compliant with FAS policies and guidelines for operating the TEA program. We believe that our understanding with FAS at the TEA project proposal and allocation level as related to U.S. leaf utilization activities in various countries provides the broad general authority to carry out demonstration activities.

As a matter of operational policy, there is an understanding between FAS and TEA participants that specific details and justifications for individual activities will be put forth for review and approval annually in the Activity Plan, or an amendment to the plan. This includes the approval to purchase tangible demonstration items with TEA funds.

We always exercise caution to obtain a proper approval in the Activity Plan before agreeing to purchase and actually purchasing these items. We are simply following that well thought out policy in this instance.

Secretary Crowder
January 30, 1991

Attachment III

Your comments which placed heavy emphasis on the participation of the private sector in the new Market Promotion Program (MPP) were unexpected and quite frankly somewhat of a shock to us.

We see nothing in the 1990 farm legislation relative to MPP that changes the long term emphasis of conducting these programs through U.S. non-profit agricultural trade organizations. In fact, Congressional efforts were made to change the 1990 farm bill in a way that would completely eliminate private company participation in the MPP program.

A review of the FY 1991 MPP allocations of $200 million among various participants indicates that Export Incentive Programs (EIP's) received $29.74 million, slightly less than 15 percent of the total allocation. Of course, a number of additional private companies participate in brand promotion programs administered by non-profit U.S. agricultural trade organizations who are TEA participants. As you are aware, the portion of the $200 million allocation to private brand advertising through non-profit U.S. agricultural trade entities represents an estimated 20 percent of the total allocation.

The point that I would like to make in this regard is that, to the best of my knowledge, no private company has ever been allowed to establish a demonstration project activity involving the use of equipment purchased with TEA funds to process U.S. agricultural products.

We feel that there is ample precedent, not to mention other valid reasons, to reject any proposal from the private sector to conduct demonstration projects on U.S. agricultural commodity processing. Tobacco Associates agrees with current FAS policies governing the use of TEA funds by the private sector.