

The Tobacco Grower

Tobacco Growers Association of North Carolina

Standing Strong for Growers since 1981

Spring Issue 2015

Why Is Child Labor the “Hot Topic” for Tobacco Industry?

Discussions surrounding labor in tobacco is nothing new. Since the time the crop was first managed for commercial cultivation labor for planting, harvesting and managing the crop has been in great demand.

Much progress has occurred in the industry in recent decades to significantly reduce the man hours per acre necessary to complete the harvest. Mechanization is the primary facilitation of this achievement.

As the crop changes agronomically so has its season. Thirty years ago the harvest would start around Fourth of July and was almost always complete on or before the Labor Day weekend. In fact, many of us remember the start of the fall school schedule was often coordinated around the expected end of harvest for the tobacco crop.

Now days the season can stretch out sometimes until mid-October and depending on growing conditions some growers are often pushing to finish before a killing frost at Halloween or maybe even early November.

This simple description suggests that children working in tobacco as a daily workforce is simply not feasible or dependable. If tobacco had issues with child labor it would have been decades ago before automatic harvesters, green leaf loading systems, leaf handlers and tumblers and hydraulic powered baling devices. Just think back the 70's and 80's and before, back when every leaf in the trade was pulled by hand, looped on a stick by hand, hung in a barn by hand, taken off the stick and graded by hand, placed in loose sheets and loaded by hand. And many of these tasks were carried out by the local teenage workforce. Those of us who walked these fields didn't view ourselves as exploited child laborers and never did we feel abused. Sure it was, and still is hot and dirty work. But from such conditions one can develop a strong work ethic and understanding of the value of a job well done. It is part of our heritage.

However, the term “child labor” has become the top buzz word for the industry in 2014 and will continue to drive attention in 2015 as well. Last May the Human Rights Watch Group released its report “Tobacco’s Hidden Children”. A copy of the report can be viewed as a link from the TGANC website: TGANC.com. You will also find copies of the many media interviews and other responses TGANC has delivered in response to the report.

TGANC has participated in a dialog on this subject with nearly every interested party including HRW since the last summer.

A brief timeline summarizes the activity:

- *May 2014 – HRW releases report*
- *May – TGANC Releases an Official Response to the HRW report and challenges some of the statistical data.*
- *Early June - HRW launches a media campaign to attract attention to its report. TGANC declines*

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- numerous national and international media requests for interviews, maintains the report is bias.*
- *Late June – TGANC accepts invitation to join HRW and others on a live radio discussion “The State of Things” broadcast live on NPR and UNC Radio. TGANC agrees based on the ability to make its points without being taken out of context.*
 - *July-September – The NPR program increases the number of media requests on the subject. TGANC recognizes that it must be a voice to defend the farmer or otherwise there is no one to accurately define the truth and position of the farmer. Dozens of local, national and international media come to NC to film working conditions and interview farmers.*
 - *October – HRW is writing to Congress and The White House urging legislative or at least regulatory change to the labor laws specific to tobacco. A core point they aspire is to ban anyone under the age of 18 years old from working in tobacco.*
 - *October - TGANC board adopts a policy position related to the HRW legislative requests. (Available for view at TGANC.com). The policy states that added laws or regulations are not necessary and would become difficult to enforce. USDOL has adequate laws and its staff is diligent in inspection and enforcement of the current laws, The Fair Labor Standards Act (FLSA). The Act allows for any person 16 years of age or older to become gainfully employed in agricultural work without parental consent. TGANC policy supports the FLSA provision and issued a statement that no one under the age of 16 should be working in tobacco. Exceptions are made for children of the farm family because it is their home, not their place of employment.*
 - *December – RJ Reynolds and Philip Morris USA both announce its grower contract policy will also limit persons working on the farm to 16 years of age or older.*
 - *February 2015 – HRW makes appeals to new congress to enact tobacco labor specific legislation. Has members of congress send a letter to the White House identifying the efforts.*
 - *March 3rd – TGANC joins Farm labor Practices Group (FLPG) an assembly of tobacco interests with a focus on related topics including child labor. FLPG was initiated by the major tobacco companies and has been advancing dialog with outside interests including faith based organizations and the USDOL.*
 - *March 26th – TGANC is invited and participates in a policy discussion about Child Labor with the US Secretary of Labor and officials representing the White House in Washington, DC. Tobacco Companies and HRW also attend. There is an exchange of view points and ideas. The Secretary indicates interests in a follow-up discussion during or after the harvest season.*
 - *April 16th – Senator Durbin, IL and Representative Cicilline, RI introduce legislation to prohibit children under the age of 18 from working in direct contact with tobacco.*

TGANC maintains that any occurrence of child labor violations must be rare. It is incumbent on every grower to be aware of the attention this subject is receiving and understand how we all play a role in defending our livelihood in regards to what the real facts are.

TGANC Begins Implementation of the Grower Check-off Program

Last summer nearly 80% of the flue cured growers in the state voted to begin a new assessment system for funding the operational activities of the Tobacco Growers Association NC, Inc. The organization was founded in 1982 and has operated since its inception relying on membership renewals. Ten years following the tobacco buyout the grower base has shrunk to its smallest volume. While at the same time attacks on the industry and anti-tobacco movement is the greatest in our history. A simple “Google” search for anti tobacco campaigns and efforts will yield millions of hits. Another search for “anti tobacco organizations” gave a return of 774,000 hits. By comparison there is only ONE Tobacco Growers Association working to be a voice of defense for farmers.

Tobacco farm leadership asked the NC legislature for authorization to conduct a referendum to determine if there was strong support for changing from a dues paid organization to one that would received check-off support from all active producers at the marketing point of sale. The rate of 10 cents per one hundred pounds of leaf marketed equates to an average of \$2.40 per acre.

The new system ensures that every grower is a member and allows the organization to do proper advance planning for each annual year of operating. For most dues paid growers the amount is an effective wash equal to what they were contributing. Legislation also enabled any farmer to request a refund of the collected assessment by the end of the calendar year which provides a system of accountability for use of funds to every farmer. TGANC will provide a professional audit at each annual meeting in February for the previous year’s receipts. It will also provide audit to the NC Commissioner of Agriculture for review.

In 2014 TGANC collected \$439,000 in check off funds. We are pleased to report that only one farm in the state requested a refund which indicates effectively 100% support of the efforts of the association to represent tobacco and advocate for farmers. The association board of directors adopts a budget and priorities for the scope of activities each January and reports to the membership during the annual meeting. The board is comprised of 50 directors with a balance of statewide representation. These growers are elected by the membership to serve staggered two year terms. As a board of volunteer farmers, they serve without compensation and are very budget conscientious and conservative with the aggregate of the all the fellow growers contributions. The 2015 budget that was published at the February 5, 2015 meeting was approved and is available by request.

Areas of Activities and Priorities for 2015

Labor – Will continue to be the top issue in 2015. Anti tobacco groups and worker advocacy organizations are determined to convince the general public that child labor and workers being improperly treated is an epidemic problem on tobacco farms in America. The allegations and assertions are overwhelming untrue. The motives appear to be profit driven. These forces will ramp up pressure on tobacco companies through shareholder demands as well as news media and policy makers to keep the topic in the limelight. It is critical that every farmer be vigilant and absolutely certain to comply with all labor laws. TGANC conducted dozens of international media interviews this summer to communicate the truth on the issue, including live debate on NPR radio and feature stories in the NY Times, Europe and Asia.

Markets – 2014 was a better than average crop. Surplus production has found its way in to the global trade. Crop reports from southern hemispheres indicate too much inventory and likely too much production. Couple this with a continued decline in domestic consumption and farmers in the US appear to be facing a reduction in demand for 2015. Early contract trends appear to be 12 -18% lower than last year. Many growers are reporting deep cuts or even total loss of contracts for next year. Prices may hold flat. Crop insurance coverage for tobacco in 2015 will drop sharply by about 30 cents per pound. The US needs to avoid overplanting in order to protect the price of premium leaf.

Quality – The subject of quality is a constant moving target. Weather is a primary driver and in the east it has been too wet for the past few seasons. Domestic this year remarked about detecting higher than desired levels of NTRM. Especially stalks. China is expressing concerns about weed seed being detected in shipments. Specifically pigweed is a problem.

China – Remains our growth market of greatest potential and opportunity. Agriculture Commissioner Steve Troxler is leading a NC trade mission to China this spring to promote more interests and commitment to our crop for long term procurement. TGANC fully supports this effort and will accompany the Commissioner on the trip.

Research and Education – Growing a smarter crop and developing new technologies for better yields and efficiency are critical to our future success. TGANC is a leader on the NC Research Commission and the NC Tobacco Foundation. We have also been instrumental in helping launch and secure funding for the Bill Collins Professorship in Agronomy at NC State. This project will guarantee two permanent “tobacco title” faculty to teach students for future generations.

Outreach – TGANC is the only voice specific to advocating for and defending the tobacco grower. We will continue to foster rapport with the buyers to keep them aware of our farm challenges. We will continue to educate lawmakers about our crop specific commerce issues. We will continue to speak on behalf of, and defend tobacco farm families in the media and to our critics.

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TGANC 34th Annual Meeting in Review

On Friday, February 6 more than 650 farmers, allied industry and guests gathered for the annual meeting of the association. Held in conjunction with the Southern Farm Show, the meeting is a great opportunity for the industry to meet and exchange information and updates. TGANC conducts the business of the organization including its report to members on past activities, resolutions and budgetary details. New board members and offices are elected by those in attendance. Awards and special recognition is one of the highlights of the meeting. The balance of the program provides for keynote presentations from industry experts and elected officials.

Speeches given at the annual meeting may be viewed in their entirety by visiting TGANC.com and using the tab for sights and sounds of the annual meeting. Copies of the Annual Report were distributed at the meeting and are available upon request.

Mark your calendar now for the 2016 annual meeting. It will be held on Friday, February 5, 2016 at the Governor Holshouser Building on the NC State Fairgrounds.

Highlights from the 2015 Annual Meeting

Senator Thom Tillis addressed the audience at his first major agricultural event since being sworn in to office in January. The Senator reaffirmed his commitment to agriculture including tobacco policy. As a member of the Senate Agriculture Committee he holds an important post to advocate and/or defend the thousands of farm families in our State. He spoke to the audience about the need for “common sense” policies in Washington on taxes and burdensome regulations. Specific to tobacco, he opposes adding more taxes to the highest taxed consumer product in America. He strongly defends that tobacco must be treated fairly and fully included in trade agreements such as the Trans Pacific Partnership (TPP) presently being negotiated.



Senator Thom Tillis



Congressman David Rouzer

Congressman David Rouzer was elected to represent the NC 7th district following the retirement of Congressman Mike McIntyre. David has been a long time friend and champion for our industry dating back to his tenure on staff for Senator Helms and Senator Dole.

We still regard his role in the passage of the tobacco buyout as one of the most critical people to help it become a reality. As a freshmen member he was selected with a rare post as a subcommittee chair on the House Agriculture Committee. He also was appointed to the Transportation and Infrastructure Committee. Both capacities are critical to our agriculture and agribusiness interests in North Carolina. Congressman Rouzer shares the same commitments as Senator Tillis as an advocate for tobacco farmers. In particular he described his first meeting with the US Trade Representative where he made it clear that he would be a “one issue man” and that issue is TPP.

Dr. Blake Brown is invited every year to address the group and provide the most current economic forecasts, facts and figures. He shared data that it appears the 2014 crop marketing's totaled about 520 million pounds of flue cured. The Burley crop data was not year totaled at the time of our meeting.

Dr. Brown suggested that industry trends point to an oversupply situation and that reports indicate that contracts could be reduced in 2015 by as much as 20-25%. Of course some growers already indicate having lost marketing agreements for amounts that exceed that percentage so it is a difficult total to score.

Dr. Brown also cautioned that the US dollar is strengthening compared to other currencies that our leaf styles compete against. Therefore, we can expect increased pressure on demand for our crop from an economic perspective as well.

His PowerPoint also included data that shows continued decline in domestic consumption. China represents our greatest export growth market potential. Plain packaging is taking hold in many countries around the globe and the impact on demand remains to be measured. E-cigarettes should not alarm growers as complete replacement of conventional cigarettes and the volume of this product trend may be slowing sooner than some analysts had predicted. Reynolds America and Philip Morris International both have introduced “heat not burn” products. This technology uses real tobacco in the device instead of only the extracted nicotine. The good news for growers is that it uses more actual tobacco. If the US can maintain its position as having the premium full flavor leaf then such technology could spark an increase for our tobacco.



Dr. Blake Brown

Industry Panel

Something new this year was a panel discussion of industry experts. The panel was moderated by Commissioner Steve Troxler. Members of the panel included:



Mr. Tim Yarbrough, *Caswell County Grower and TGANC President*

Mr. Mike Ligon, *VP Universal Leaf Tobacco Co*

Mr. Herbert Weatherford, *Regional Director Central and North America, Alliance One International*

Commissioner Steve Troxler

Mr. John (Tripp) Wilson, *VP Corporate Sustainability and Commercial Equity, RAI Services Co.*

Dr. Loren Fisher, *Coordinator Tobacco Programs, NC State University*

There were several key or hot topics that the Commissioner framed for discussion. The following is a list as he described to the panelists.

- **GLOBAL PRODUCTION** – In the US we know that tobacco production will be down next for next year in terms of contract volumes. What trends do you see around the globe in terms of acres of production and changes in farming outside the US?
- **QUALITY OF OUR LEAF** – As a grower myself I know first-hand what the quality of NC tobacco is. Tell us how to best project that quality around the globe and justify its high value and usability.
- **LOSS OF FARMS/FARMERS** – As a major purchaser of NC tobacco, do have concerns about losing our stability of supply in terms of the attrition that has occurred in the number of farms in our state since the buyout occurred 10 years ago?
- **SOCIAL RESPONSIBILITY** – There is increasing social pressure on our industry. It's no secret that much of the anti-tobacco sentiment in America is agenda driven. The most recent topic to take on global interests is child labor. Specifically the Human Rights Watch Group released a report in 2014 that suggests we North Carolina is abusing children working in this crop. Certainly this is greatly inaccurate. Could you give your assessments on this and any other such topics that farmers need to keep attentive to?
- **GAP** – During my tenure as Commissioner I have led at least three European trade delegations and two separate trips to China and other Asian markets. In fact we have a group going to China in April to help promote NC tobacco to our largest potential export customer. One of the goals the Department has worked towards and partnered on is an efficient GAP certification system. Give us your view of its success and effectiveness and describe any future aspects you anticipate.
- **RESEARCH** – NCDA and NC State have a strong partnership in operating the research farms in our state. Tobacco is an important crop in this endeavor. We talk a lot about disease management and curing efficiency. What efforts to you feel need to be improved upon and how do you feel we can improve our production in terms of more pounds of leaf from fewer acres of tobacco.
- **ALTERNATIVE PRODUCTS** – A lot of attention has been given to the increasing presence of items like e-cigarettes and heat not burn products. Most of the major tobacco companies are now engaging in this consumer area. Give us your views of its impact and/or its potential. Both the concerns and the opportunities.

NOTE: Space does not allow us to print all the industry responses. For more information Visit TGANC.com and find the tabs for the annual meeting where you may watch video of these presentations in their entirety.

The following award recognitions were presented during the 2015 TGANC Annual Meeting:



**Lifetime Century Member:
House and Senate Ag Co-Chairs –**
Representative J.H. Langdon, Senator Andrew Brock, Senator Brent Jackson



Extension Service Award:
Tyler Whaley, Wayne County



Distinguished Service:
Patrick Ballantine, (Legislative Leadership)



TGANC Outstanding Director:
Brent Adcock, Person County



TGANC Farm Family of the Year:
Whitaker Farms, Randolph County



Lifetime Century Member
Rep. Jimmy Dixon, receiving his award during the Legislative AgDay event.

TGANC 2015 Proposed Resolutions

Approved at Annual Meeting, February 6, 2015 (New or modified points are indicated in bold type)

We believe tobacco production to be essential to the economy and well-being of the people of North Carolina. We further recognize that tobacco plays a vital role in the economy of the United States. In the interest of preserving that contribution, we offer the following resolutions

1. Recognizing that North Carolina is a "right-to-work" state, we oppose any regulations or sanctions that would cite labor union membership as an absolute requirement for any agricultural laborer, regardless of that workers citizenship status.
2. **We implore all commodity groups and the tobacco leadership groups and governmental entities to come together with commitment and support to resolve the farm worker labor concerns that impact the livelihood of the farm families in North Carolina, including comprehensive immigration reform.**
3. **We encourage all farmers to understand and adhere to the requirements of the Fair Labor Standards Act in regards to lawful employment of any person working on a farm.**
4. **We oppose employment of persons who are not members of the farm family, under the age of 16 working in tobacco production in the United States and abroad.**
5. We oppose detrimental federal intervention, lawsuits and other unwarranted attacks on a legal industry. We recognize that tobacco is a legal commodity representing an extremely large amount of international trade; therefore we insist that all agencies and individuals representing the United States in any area of trade be allowed to promote the high quality, comparative value of U.S. tobacco, including fair treatment in all trade agreements.
6. **We oppose any efforts to unfairly target tobacco as a legal commodity, to be omitted from, or designated differently from other commodities in the ongoing Trans Pacific Trade Partnership (TPP) agreement negotiations.**
7. We are categorically opposed to any trade agreement present in force or being considered in the future that does not include any and all legally grown U.S. agricultural commodities.
8. We call upon tobacco companies that contract with growers to continue to develop policies and practices that are fair and inclusive of all growers with regards to the economic welfare of tobacco producers as a whole.
9. **We oppose multi-tier contract conditions and markets that do not publish a retail price for tobacco that reflects its market value.**
10. We oppose any future increase in the state or federal excise tax on tobacco products.
11. We further recommend that our Association and other tobacco supportive organizations continue to publicize the economic benefits of tobacco to our nation's policy makers in terms of jobs and tax revenue.
12. We applaud the efforts of North Carolina State University Extension Research Service for managing and directing an appropriate research program that enhances

- the profitability of growing and marketing tobacco.
13. **We support the creation and funding of the W.K. Collins Agronomy Endowment to provide for at least two permanent tobacco specific positions at NC State University.**
 14. We applaud the Tobacco Industry and related agribusiness for cooperating in the development of research programs and providing financial support for tobacco research.
 15. We request that the North Carolina General Assembly provide the necessary funding support for the N.C. Department of Agriculture to serve the citizens of our state.
 16. We request the North Carolina General Assembly recognize the economic value of budgeting research funds for tobacco and stipulate that funding provided for the Academic, Extension and Research Budgets of the College of Agriculture at NC State University be used for such designated purposes.
 17. We are concerned that essentially no new funds are allocated by the Agricultural Research Service of USDA for tobacco research. We believe this is discriminatory to tobacco farmers and specifically request that additional funds be allocated for regional research on tobacco based upon the enormous tax contribution this industry makes to our governmental budgets. This is especially true as we continue to await FDA regulatory authority.
 18. We request that NCDA continue working to devise a method to forecast intended planting and actual planted acres of tobacco for each current crop year.
 19. **We support the vote by growers in 2015 to continue with a check-off for tobacco research and extension.**
 20. We are opposed to additional legislation and regulation that would restrict when and where adults choose to smoke.
 21. We support the Plant Industry Division of the North Carolina Department of Agriculture in maintaining its "Apparent Freedom" status of enforcing those regulations relative to requiring zero (0) tolerance of any pest on any agricultural, horticultural, floral, or nursery plants imported to North Carolina.
 22. We support tobacco growers and purchasers to collectively develop strategies, systems, and procedures that will enhance the integrity and quality of flue-cured and burley tobacco and reduce the cost of marketing.
 23. We request that the USDA-FSA and USDA-NRCS be more sensitive to the need for a more common sense approach to the enforcement of rules as stated in the Foods Securities Act of 1985, i.e. Sodbuster, Wetlands, and Conservation Compliance. We further request that said rules be interpreted uniformly on a county-by-county basis and that penalties be applied on each individual tract basis.
 24. We request that the Environmental Protection Agency and the FDA refrain from acting in a discriminatory manner with respect to the approval for labeling of pesticides for use on tobacco.
 25. We insist that all lending practices of the Agricultural Credit Division of the Farm Service Agency be fair, equitable, and timely to all applicants.
 26. We support individual property rights for all agricultural enterprises, provided they meet all County, State, and Federal regulations.
 27. We implore all tobacco interest and tobacco communities to come together with commitment and support to solve the issues and problems that threaten the economic contributions of tobacco to our state, our nation and our growers.
 28. We are opposed to the use of any tax dollars being allocated to any agency whose agenda is aimed toward the detriment of the tobacco industry.
 29. TGANC recognizes the importance of sound and prudent credit policy. We encourage banks, agricultural credit associations and any other public, private and governmental entities that provide credit to farmers and agribusinesses to be cognizant of changes that occur within the agricultural community. We encourage such institutions to continue to find ways to provide both long and short-term credit.
 30. We encourage the Golden Leaf Foundation, which was formed to distribute 50% of North Carolina's MSA proceeds to tobacco dependent Communities, to recognize that the most effective means of revitalizing these communities is to employ the infrastructure that already exists, and is based on a tobacco farming economy.
 31. **We presently oppose the commercialization of tobacco cultivars for traditional uses whose genetic makeup has been modified with non-tobacco genes. We feel that such cultivars should be limited to controlled experimental situations and restricted from entering the commercial trade until such tobacco has been accepted in general commercial usage.**
 32. We request that all states be treated equally by the Risk Management Agency in reference to the MPCJ regulations and that production and price guarantees adequately reflect the true costs of production. The premium charges should be based on the same standards as all other commodities.
 33. We request that tobacco be treated equally by RMA relative to all other fully covered and insurable crops.
 34. We strongly urge the NC Legislature to restore full funding to the Tobacco Trust Fund Commission for future years.
 35. TGANC encourages USDA in their statistical surveys to release by December 1st of each year estimates to the public on tobacco acreage produced in each state for that year.
 36. Recognizing the scope and importance of the state's # 1 industry - agriculture, specifically farm land for agricultural production, we request all governmental regulatory agencies maintain an understanding and policy supporting the critical need and rights of water usage, particularly those sources traditionally used and developed for agricultural practices.
 37. We support efforts to help create awareness about the consequences associated with loss of productive farmland. We applaud the NC Department of Agriculture and the NC General Assembly for its creation and funding of the Farm Land Preservation Trust in the mitigation of the disappearance of our farm land and natural resources.
 38. TGANC continues to be concerned about the potential for sharp escalation in costs of production in growing tobacco and the importance of those entities that purchase leaf tobacco to understand such expenses.
 39. Given the unnecessary costs of multiple barn testing requirements, TGANC advocates that a single, standardize barn test program continues.
 40. **Understanding that GAP training and certification is beneficial to the industry and that all growers are now required to comply, we support a continued standardized GAP training program.**
 41. We encourage the industry to explore opportunities to achieve increased yields for conventional tobacco seed.
 42. Aging infrastructure is a major concern of all involved in tobacco production. TGANC requests that purchasers of tobacco be aware that multiyear contracts and pricing sufficient to ensure long term profitability are necessary to inspire enough confidence in the grower base to allow for modernizing tobacco specific investments.
 43. **We call upon the tobacco industry to be aware of the importance of social responsibility.**
 44. Given the diversification of NC agriculture, we encourage the expansion and accessibility for all farmers in rural communities to be in a position to procure natural gas as a viable energy source.
 45. While US tobacco producers pride themselves on the integrity of what is known to be the most carefully produced, high quality tobacco in the world, we acknowledge that possible findings of any noxious materials from naturally occurring plants also present in the fields should be thoroughly investigated and require a cooperative effort to find solutions that resolves such concerns to the satisfaction of our customers.
 46. **Observing the increasing markets for liquid nicotine we support having U.S. grown tobacco as the source for such materials.**
 47. **Any transgenic tobacco for commercial production should not be planted in such a way that it creates a risk for cross-contamination with conventional.**



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TGANC Stands Strong for Growers

The Tobacco Growers Association of North Carolina is an effective and engaged commodity organization dedicated to representing the needs of all tobacco growers. TGANC works in the areas of advocacy, education, research, promotion, marketing, policy and communications. It is a strong voice for growers whenever circumstances arise that can and will impact the tobacco economy and livelihood of NC farm families.