

Tobacco at a Crossroad: A Call for Action

Executive Summary

Tobacco farmers and their communities are in the midst of an unprecedented economic crisis. At the same time, public concern over the health hazards of using tobacco products is at an all-time high. Resolving these two crises will require new, visionary tobacco policy in this country.

Can we help tobacco farmers, strengthen their communities and at the same time protect the public from the health hazards of smoking? The answer of this Commission is a definite “yes.”

Tobacco Farmers' Plight

Squeezed by huge drops in demand for U.S. tobacco here and abroad, by aggressive competition from cheaper foreign-grown tobacco, by high costs to modernize their facilities and by modest price increases for their crops, tobacco farmers and their communities confront a bleak future. Even as prices for cigarettes rise, the tobacco farmer's portion of the retail tobacco dollar falls — from seven cents in 1980 to two cents in 1998. As their income drops, many tobacco farmers are simply going out of business. More than half of the tobacco farms that existed 25 years ago are gone.

Loss of tobacco farms and the income they generate has had disastrous repercussions for tobacco-dependent communities. As one tobacco farmer told the Commission,

“Growing up, my town had a pharmacy, a grocery store, two farm implement dealerships, two seed and feed stores, a department store...a thriving little town that provided services, jobs, and income to the county. Now, that is all gone. Almost nothing is left. The crisis in tobacco farming is not only affecting individuals like myself, it is destroying communities.”

That circumstance holds true for tens of thousands of tobacco farmers and for the residents of their communities across more than 20 states.

At the same time, many people in this country suffer every day and ultimately die from tobacco-caused cancers and respiratory diseases. In fact, smoking is the leading preventable cause of death in the United States, killing more than 400,000 Americans every year. Tobacco-caused diseases are also a major factor in the skyrocketing costs of health care, especially in the tobacco-growing states themselves where the risk of tobacco-caused diseases and deaths is higher than the national average.

But while use of tobacco products threatens public health and drives up health care costs, tobacco farmers are not the culprits. They are the mainstay of numerous rural communities. Many are minorities. Some are the great or great-great grandchildren of farmers who raised a crop that goes back to the founding of this country and is still legal to grow today. Tobacco is their livelihood.

The crisis facing these farmers and their communities requires decisive action to address the complex set of problems and needs associated with reducing economic dependence on tobacco and diversifying farming operations and local economies.

It also requires a new system that allows farmers who wish to continue to grow tobacco to compete fairly. This Commission embraces the notion that the health and safety of the American people and that of tobacco farming communities are linked, however unlikely that might seem. A stable tobacco-growing industry that operates through price and quality controls and under health and safety standards is in the best economic and health interests of this country.

Why Tobacco?

We understand that there may be questions about the need for assistance to tobacco-dependent farmers and their communities. Other economic sectors in this country have been affected, as tobacco has, by factors such as reduced demand for products, increased foreign competition and the loss of the U.S. share in global markets. Why assist tobacco farmers and not other industries that have faced economic hardship?

There is a major difference. Other industries base their decisions primarily on market forces. But market forces play just one role in the complicated equation for tobacco farmers. As important, and perhaps more important, is federal tobacco policy. Through price supports and a marketing quota system that limits both where tobacco can be grown and how much can be grown and marketed, federal policy has usurped many of the normal functions of the market place. For years, the combination of price supports and the quota system made tobacco a highly profitable crop. But given the long-term economic trends of today, the tobacco program is keeping more people in tobacco production than the system can support.

Many tobacco farmers have few avenues of escape because they are economically dependent on their quota rights for both current and future income. Quota owners who actively produce tobacco often use their quotas as collateral for loans to improve or diversify their operations, and because of the assurances of the tobacco program, many have acquired more debt than they otherwise would have done. Those quota owners who do not actively produce tobacco, lease or rent their quotas to growers. When quota levels fall, as is now the case, lease prices and rents go up, which further squeezes tenant farmers and increases their costs of production. And many older quota owners use their quotas as their primary source of retirement income instead of the employee retirement benefits that many workers in this country enjoy.

Strong dependence on income generated from tobacco production is a fact of life for farmers and their communities in rural pockets of tobacco-growing states. For years, tobacco ruled to such an extent that local officials often discouraged non-tobacco businesses from locating in their communities so the new enterprises would not draw down the tobacco labor force. Short-sighted as those decisions seem today, they were made in large part because federal tobacco policy appeared to ensure prosperity far into the future.

Ironically, at the same time that federal tobacco policy fosters economic dependence on tobacco, the federal government over the last few decades has actively discouraged use of tobacco products because of health concerns.

Time for Change

A new, forward-looking approach to tobacco policy is urgently required. But this Commission does not advocate total abolition of the tobacco program. To do so would eliminate its positive aspects such as limitations on where and how much tobacco can be grown and quality standards (for example, keeping U.S.-grown tobacco free of non-approved pesticides) that could have widespread economic and health benefits.

Rather, we contend that a revamped federal tobacco program is needed to regulate supply, price and quality. We argue in favor of strict enforcement of quality standards on imported tobacco leaf and manufactured tobacco products.

We also believe that quotas should be replaced with a new production system. But the quota asset cannot, in fairness, be eliminated without appropriate compensation from the federal government, which created the asset, to the people who have become dependent on the income from and value of their quota. Many tobacco quota owners and tobacco growers have expressed a strong desire to quit tobacco farming altogether. Compensation for the loss in value of their assets would allow them to do just that.

Therefore, we call on the federal government to reform federal tobacco policy. The primary objectives are to:

- Replace quotas with production permits — to be held only by active tobacco growers — that will not become marketable assets because they cannot be bought, sold or leased and will not contribute to artificial production costs for tobacco growers.
- Compensate those quota owners and growers who elect to stop growing tobacco for the loss in value of their quota assets and assist growers who choose to continue producing tobacco (many of whom are family farmers) to offset the costs imposed by the current system and make the transition to the production permit system.
- Provide technical assistance to tobacco farmers and their communities to diversify their crops and local economies.
- Support state tobacco prevention and cessation programs and regulate manufactured tobacco products to improve the public health and reduce health care costs.
- Ensure the quality of U.S. grown-tobacco as well as imported foreign-grown tobacco, which is rapidly replacing U.S. tobacco in cigarettes.

The new production permit system will mean that fewer people depend on tobacco production, either directly or indirectly, for their livelihoods. The resulting leaner, more competitive tobacco-growing industry will be better positioned to compete successfully and take advantage of new technologies and alternative uses for tobacco that do not harm the public health.

Our proposals should benefit U.S. tobacco farmers in their efforts to compete with foreign growers as well. They will lower the cost of production. And because U.S.

tobacco growers are better able and better equipped to respond to both domestic and international actions designed to address health concerns, they should enjoy a distinct advantage over their foreign competitors.

Our closely linked recommendations form sound public policy that can make a real difference in the economic plight facing tobacco farmers and their communities over the long term and that is in the best interests of public health. Short-term bailouts and similar “fixes” are simply no longer acceptable.

We emphasize that the Commission, a collection of tobacco growers, representatives of public health organizations and economic development experts, found much common ground in the seemingly incompatible goals of assisting tobacco farmers and safeguarding public health. The starting point goes back more than 15 years when tobacco growers and public health leaders first gathered in the mid-1980s for face-to-face discussions about the plight of tobacco farmers and their communities and the need to protect public health.

With this report, those years of effort have come to fruition. We urge federal, state and local policymakers, tobacco farmers, health and agricultural organizations and all other interested parties to take positive and immediate action to carry out our recommendations. Time is running out for thousands of tobacco growers, their communities and public health.