

The Changing Political Environment for Tobacco: Implications for Southern Tobacco Farmers, Rural Economies, Taxpayers, and Consumers: Discussion

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First let me say how gratifying it is to be seen as part of the solution rather than the source of the problem. That is my reaction to seeing both the state-level and regional roundtables of the Southern Tobacco Communities Project listed in the table of selected educational programs addressing the economic adjustment issues facing tobacco dependent communities prepared by Woods, Isaacs, Mundy, and Given. Addressing the changes now taking place in the world of tobacco with creative and innovative solutions becomes all the more crucial based on the observations of Brown, Snell, and Tiller in describing the changing political environment for tobacco. They ask perhaps the most pertinent question in the tobacco world today, "Should national legislation concerning smoking and tobacco resurface in the near future, are there reasonable compromises concerning the US tobacco program that *could* (emphasis added) satisfy all the stake holders in the program?" This may be an important question in regard to future legislation on a national level, but the issues they describe in their discussion of political context will drive decisions in state legislatures this spring. Statehouses across the South will begin making decisions now about the al-

locations of their portions of the \$206 billion-dollar master settlement negotiated in November of 1998. The stakeholders in these allocation debates include all tobacco farmers, rural economies, tax payers, consumers and policy makers. Will the view taken as the allocation debates develop be short-term gain to preserve the current situation or long-term investment in sustainable rural communities?

Political Climate

In late spring of 1997, a prominent public health advocate characterized the dialog efforts between tobacco growers and public health advocates, begun in 1994, by saying "there is no common ground." One year later, a March 16, 1998 national press conference¹ was set up to release the Statement of Core Principles Between the Public Health Community and the Tobacco Producers Community (Core Principles, see Appendix A) which focused on common goals and principles rather than differences and politics. On the eve of the press conference, the common ground, and the commitment to follow through in pursuit of policies to support that common ground, received a mixed reception. One Farm Bureau

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¹ STCP CTFK jointly sponsored Press Conference on Core Principles, Russell Senate Office Building, Washington DC, 3/16/99 (<http://www.virginia.edu/~envneg/tobacco/>).

Representative stated, "You've seen how dogs and cats are sometimes found to depend on each other. There's a little bit of that going on here," Larry Wooten, VP NC Farm Bureau². A prominent health advocate, Scott Ballin of the Campaign for Tobacco Free Kids, said "What you want to do is control the production of tobacco as much as possible. . . . As we reduce consumption, it makes sense to have a system where we don't allow planting of tobacco to spread."² Free market politics dictated another view, "I believe it is simply wrong for the federal government to support tobacco farming, marketing and warehousing. We should stop,"² said Senator Richard Lugar. Al Glass, director of commodities and marketing at Virginia Farm Bureau, weighed in with his view about what health advocates had learned in the four years of discussion, "I think they've learned a lot about tobacco farming. They always saw Joe Camel and the Marlboro Man—they never saw an economic community scattered through ten states."² Tim Cansler, lobbyist with the Kentucky Farm Bureau, summed up the thoughts of those in the tobacco world who doubted the value of working with health interests, "Anybody who supports those principles is really selling tobacco down tobacco road. Health advocates have a long history of opposing us. This is an unholy alliance."²

The tobacco farmers and their advocates who spoke at the press conference expressed little doubt about what they saw. "An unprecedented opportunity is before us to enhance the public health of this nation and protect tobacco communities. The core principles will serve as a vehicle to accomplish this goal," said JT Davis, Secretary of Concerned Friends for Tobacco, "This is a truly unique win-win situation. Direct, face-to-face discussion invariably results in new, more accurate understandings."¹ Andy Shepherd, Virginia's representative to the Flue Cured Stabilization Board, stated that "health advocates, the 'anti's' as we used to call them, and farmers really need to know one another. Meetings be-

tween us, away from the rhetoric of politicians, pro and con and influence of special interest groups, led to the realization that many of us on both sides had similar concerns."¹ A similar view was presented by Rod Keugel, President of the Burley Tobacco growers Cooperative, Inc., "In our community we put families first and farms second. That's why our tobacco growers chose to participate in this broad-based organization gathered here today. Our farmers are serious about limiting youth access to tobacco products. That common thread links us to these health organizations."¹ That the health advocates recognized both the risk and the commitment of tobacco farmers was expressed by William Broom, national board member of the American Heart Association, "The farmers have gone out on a limb to work constructively with the health community to achieve common public health goals."¹ Major public health organizations, notably the American Public Health Association (APHA) had modified their national policy to pursue reasonable tobacco control policy³, while working to address unintentional harm done to farm communities. Mohammed Akhter, APHA, stated, "The health of Americans is paramount, but it is incumbent on us to assist those farmers and communities who might be hurt by national tobacco control legislation."⁴ This was consistent with President Clinton's five principles for national tobacco legislation—including protection of tobacco farmers—and he acknowledged the progress made in the tobacco/health advocate dialogs, "I congratulate the public health and tobacco producer community for working together to promote bipartisan, comprehensive tobacco legislation that dramatically reduces youth smoking and protects American Farmers and their communities."¹

Core Principles Statement as Framework for Discussion

The ten Core Principles, five agricultural and five health, (full text in Appendix A) represent

² "Health Groups Back Tobacco", *Washington Post*, 3/14/98

³ APHA Web site National Tobacco Policy URL

⁴ Akhter statement web site

the culmination of four years of dialog begun in 1994 in Kentucky and Virginia. Those discussions were initiated with the help of Robert Wood Johnson Foundation Funding. The premise was that while we had many and striking—and likely irreconcilable—differences there may be some concerns or principles we had in common. In 1996 the discussions were expanded to include the top six tobacco producing states, in what was called the Southern Tobacco Communities Project Roundtable. Within each of the states, state level dialogs were also evolving. In December of 1997, the Core Principles Statement was drafted, and groups with agriculture, health, community development or policy related interests at the local, state, regional and national level were asked to sign on. By the time of the March 16, 1998 press conference noted above there were more than 40 signatories. Virginia Delegate W.W. “Ted” Bennett, Jr. introduced the Core Principles in the Virginia General Assembly as Virginia House Joint Resolution 108 to avoid a “crash landing for these farm families and their entire communities.”⁵

Background

The Core Principles built on the work done by the Virginia Tobacco Communities Project and the Virginia House Joint Subcommittee Studying Alternative Strategies for Assisting Tobacco Farmers, and the report released by that committee in 1996. Two years of conversations in Kentucky and Virginia were turned into recommendations presented the committee chaired by Delegate Mitch VanYahres, chair of the House Agriculture Committee. Three resulting pieces of legislation were introduced and passed in Virginia in 1996, HJR 45 to develop and implement a rural economic plan; a bill to improve capital access and financing for agricultural enterprises; and HJR 197 funding cooperative extension and agricultural research.

As this work progressed it became clear that many of the concerns advanced by tobacco farmers could not be addressed on the state

level, but needed to be dealt with at the regional or national level. The attacks at the federal level on crop insurance for tobacco were one such issue. The health advocates involved in the discussions further demonstrated their commitment to family farms with a tobacco base by writing letters in support of such crop insurance. The structure for the tobacco price supports and quota, potential reforms including the costs and benefits of a buyout needed to be addressed by national legislation. The viability of various diversification enterprises including supplemental crops and livestock, other uses of tobacco and on and off-farm non-agricultural opportunities had both regional and national components. The need for and availability of financial resources to fund further diversification, including state and federal allocations, dedicated taxes on state or federal tobacco products, and private foundation support were all linked to regional and national concerns. These issues were the topics of the STCP Regional Roundtable which was attended by (1) tobacco growers and other farmers, Burley Growers Cooperative, and the Burley Stabilization Board, Flue Cured Stabilization, state Farm Bureaus, tobacco production advocacy groups; (2) representatives from affiliated interests, processing and warehousing concerns; (3) state and federal level legislative aides and advisors; (4) representatives from agriculture or economic agencies by state; and (5) community development, land preservation, and related organizations with demonstrated interest, and experience in economic and community development. The ten Core Principles they developed frame the following discussion.

Five Key Agriculture Principles

Maintain the Program

Early discussions in the STCP roundtables focused on the work of Altman and Goldstein, health researchers who pointed to several key unwanted outcomes from a health perspective including a redistribution of resources from growers to manufacturers and socio-economic problems unless funds from a settlement are

⁵ Letter to Scott Ballin 3/13/98

simultaneously available.⁸ Health advocates have proven themselves to be supportive of the maintenance of a tobacco program for its harm reduction potential and the need to support transition in tobacco community economies. They have worked hard on Capital Hill during the McCain Bill debate to maintain language that supported a program—even when some tobacco states senators were willing to throw in the towel and go with a free market approach as demonstrated by the May 19, 1998 Lugar McConnell Press Conference to announce their free market approach to tobacco.

Much of the work of Brown and colleagues reinforces the importance of the tobacco production control/price support program to the majority of tobacco growers. They also point out that this support is not universal and that there are significant differences between burley and flue cured interests. They also highlight the economic factors influencing the different opinions of a need for the program within tobacco types based on geographic differences and quota status differences—owners vs. renters. The authors cite the ability of the program to maintain tobacco production in the southeast states exclusively, keep supply limited and prices high. Limiting supply and keeping prices high is in the interest of public health as well.

Take the Costs for the Program out of Government Budget

Both the health advocates and the tobacco growers recognize that as long as any government funds are used to support the tobacco program it will be a target. This principle signals the growers' willingness to finance the administrative costs of the program through some other mechanism.

⁸ Altman, D.G. and A.O. Goldstein, "The federal tobacco price support program and public health," *Southern Research Report #10, Tobacco Farming Current Challenges and Future Alternatives*, pp. 67–95. UNC Center for Study of the American South, Spring 1998.

Quota Compensation

One of the most key issues related to the future of tobacco dependent communities is contained in the footnote where Brown and colleagues reference the finding by Altman *et al.* that lack of adequate "capitalization for exploring supplemental enterprises was especially regarded as an issue by younger farmers." Health advocates recognize that quota has value and represents the equity built over time. Both growers and health advocates also see the value of making farmers whole. Some mechanism to compensate for quota must be addressed. Most rural development is cash resource poor and the current instability in tobacco markets devalues the ability of tobacco farmers to pursue funding for other options.

Significant Funding for Adjustments, with Local Control, and Agriculture-based Development

Who will pay for the change that is already in progress? And what will be seen as a valuable investment? "It is worth emphasizing that the public will be involved in the adjustments that appear inevitable," stated Virginia Tech's Rural Economic Development Program Director Wayne Purcell, "Public dollars will be spent. The question is when, and whether the programs will be proactive or reactive."⁶ Like the proverbial joke, "it's too late to die young;" it may well be too late to be proactive when it comes to addressing threats to the stability of tobacco dependent communities. A Tobacco Community Investment Fund Proposal largely based on the Frankfurt KY, March 3, 1998 STCP Roundtable provides the combined grower/health advocate point of view present.⁷ What if there were funds available, how should they be spent? The proposal's preamble states, "The purpose of these investments is to revitalize and sustain family farms and farming communities in the tobacco regions of

⁶ Purcell, Wayne. "Tobacco in a World of Change," <http://www.reap.vt.edu/reap/default.asp>

⁷ (<http://www.virginia.edu/~envneg/tobacco/condevdrft.html>)

the United States.” Further, “farmers as a majority, with meaningful local community input, must govern decision making. Agricultural-based development shall guide as a priority. Delivery structures shall be designed to most directly deliver the funds to farming communities, and there shall be a limit on funds for administration.”

The Revitalization Fund as envisioned at that time, would develop local Farming Community Councils with a minimum of 51 percent farmers with additional stakeholders represented, including public health, consumers, government, research and education, finance, labor, farm organizations and community health. A minimum of eleven members was suggested and the purposes of the Community Reinvestment funds were described as (1) loans and grants for agricultural development and (2) community economic development.

Grants, Cost-sharing, Reduced Interest Loans, Integrated Enterprise Incubation Systems, and Revolving Loan Funds

The aim would be to enhance community capacity to respond to market changes. Woods and colleagues call for such investments and state that “showcasing success and ideas tried by peers can present a more powerful argument for trying something different.” In contrast to abstract proposals, Kentucky and North Carolina health interests have teamed with farm groups to fund such demonstration projects.

Five Key Health Principles

Level the Playing Field—Quality and Chemical Control

Woods and colleagues seem to concentrate on domestic issues and slight the global pressures on domestic tobacco producing communities. They do not deal with the pressures of global markets—spurred on by the investment of manufacturing companies and leaf dealers—which is referenced by Brown. This is not an

Roundtable discussions is the different treatment of domestic and foreign tobacco. We are told that more stringent regulatory activity by USDA and EPA restrict chemical and pesticide use on domestic products and the manufacture, sale, distribution, labeling (including country of origin), and marketing of tobacco products.

Strong Complementary Laws on the National, State, and Local Level to Keep Tobacco Away from Kids

The notion that states and localities have the right to implement tobacco control policies that are more stringent than those of higher levels of government is as important to health advocates as the tobacco production program is to growers. The right to pass more stringent laws is not the same as the ability to craft a policy that will prevail. Policy ideas would still be subject to the democratic process. We believe that we have the right to have such ideas compete at the local and state level. This trust in the local level of government on youth access policy is mirrored by the notion, described below, that any funding to help tobacco dependent communities must also be subject to local decision making and not be controlled by remote levels of government.

Prohibition Is Not the Aim

Prohibition—making the sale of tobacco products illegal for adult users—is not the aim of mainstream health advocacy groups. That is not to say no one who calls themselves a health advocate favors prohibition, but most including the American Cancer Society, American Heart Association and the Campaign for Tobacco Free Kids know that prohibition will not work. They do believe that most smokers want to quit, and will continue to work to make cessation available to those who choose to quit.

Funding for Farm Community Adjustment and Reasonable Public Health Initiatives

Woods et al. state that “Increased political un-

certainty” also contributes to motivation for change. They cite a 75-percent drop in the number of tobacco farmers since 1954. If the pressure from health groups disappeared overnight, the global markets would still be forcing U.S. prices down. Even if domestic production levels remain somewhat constant, pressures remain on smaller, less efficient growers to get out now. What should those families do? Who has a vested interest in helping them to adjust?

In a 1996 letter Dr. Claude Whitehead, then chair of Concerned Friends for Tobacco and a former chair for the Halifax county board of Supervisors, stated in support of the health community’s efforts to soften the transition in tobacco communities. “[I] want to affirm that I thought the meetings and activities were run fairly and effectively. I believe that your program deserves come considerable share of the credit for the success in this session of the General Assembly in bringing attention to the need for supplement and alternatives to tobacco growing in those counties, like my own, that depend on tobacco for economic welfare . . . this has been a useful partnership between health advocates and tobacco interests in our common interest on supporting family farms and healthy rural and small town economies.”⁹

Access to capital has been on of the major challenges for those who wish to further diversify. Where will the money come from for investments in supplemental activities and in community infrastructure to support those efforts? This is a question the STCP roundtables have discussed since 1994. Health advocates have been told that increases in taxes—state or federal would destroy communities and end the industry. For the past ten to twenty years excise taxes had remained relatively flat, as had prices growers got for their leaf. Prices of the manufactured product did, however, rise fairly steadily—only government and the farmers had flat incomes. Most health advocates have difficulty understanding how a nickel increase in Virginia’s state tax (which would bring it up to the median of the tobacco states at \$.075 per pack) had dire implications for the growers, while the manufacturers could

raise prices by a dime or more at a time and that was good for business. The \$.20 per pack increases by manufacturers in anticipation of settlements raised \$380 million a month—or \$4.6B per year—based on CDC taxation information. An additional price increase of \$.45 raises another \$855 million per month, none of which has been paid out on the Master Settlement agreement.

Assuming that money does come to the states, how should it be spent? Growers and health advocates agree that meaningful grower input into those decisions, a focus on agriculture, and community control are key issues. A major question is how to build the support system for that to happen—and do it quickly enough to capture the opportunity and the funding before other interests claim the funds. We need to build on what Woods *et al.* discussed as the “sustainability of production practices and local community systems, building synergistic networks between producers and other organizations with common interests.” The question is whether those common interests can survive a grab for the money, and whether or not meaningful control to allocate funds in a way that makes sense on a local level can be achieved. As Virginia State Senator Charles Hawkins stated, “It has nothing to do with partisan politics, this has to do with the survival of the family farm as we know it, and most of Southside and Southwest Virginia.”¹⁰

Strength of Commitment of Public Health to Tobacco Communities

Health advocates agree with Woods *et al.* that “Investment in building the overall management capacity of tobacco farmers can be viewed as having returns that accumulate beyond the farm income statement.” We endorse the call for “Training that makes better managers, leaders, and entrepreneurs out of tobacco producers benefits many, and many have expressed interest in supporting such efforts.”

In Virginia that commitment has been

⁹ Personal correspondence, January 24, 1996.

¹⁰ “Gilmore Backs Tobacco Fund,” *Richmond Times-Dispatch*, 1/19/99

made concrete in the 1999 Virginia Indemnification and Community Revitalization Commission and Fund.¹¹ It establishes a Tobacco Indemnification and Revitalization Commission to administer funds received from the tobacco settlement or other sources. The Commission would receive 50% of Virginia's funds under the November 1998 Master Settlement Agreement. This bill also sets up a foundation with 10 percent of the settlement funds to be used for youth tobacco initiatives. The bill has passed every committee vote unanimously. It has passed both the Virginia Senate and House unanimously. It's on the governor's desk awaiting his signature.

If the governor signs, we are on our way to seeing if having the will, and having the cash, we can create a viable future for the family farms of Virginia. If there is no signature, we will seek another way. All involved agree that without the unusual partnership between health advocates and tobacco growers, as well as the Core Principles to guide us, we would not be in such a position of opportunity. It remains to be seen what we can make of it—and what kind of model it may present to the other tobacco states. What will remain, however, are relationships, built on trust and integrity, that will guide us to continuing joint efforts on behalf of the communities we share.

**Appendix: Core Principles Statement
Between The Public Health Community
and The Tobacco Producers Community
in the Spirit of Cooperation and With a
Commitment Towards Reducing Disease
Caused by Tobacco Products**

Ensuring the future prosperity and stability of the American tobacco farmer, the tobacco farm family, and tobacco farming communities the undersigned organizations and individuals call on the President of the United States, the Congress of the United States, and all States Attorneys General to commit to supporting and enacting effective tobacco legis-

lation and policies that include the following points of agreement.

That on issues related to the agricultural production of tobacco there is agreement:

1. That a tobacco production control program which limits supply and which sets a minimum purchase price is in the best interest of the public health community and the tobacco producer community. From a harm reduction standpoint, it is in the best interest of the public health community to support enhanced assurance of quota stability for domestic production of tobacco.
2. That any costs associated with the administration or operation of a tobacco program be guaranteed to be paid for under any legislative proposal, and that the federal government no longer bear the costs for the administration or operation of such a program.
3. That there be greater cooperation between the tobacco growing community and the public health community to ensure that quality control and health and safety standards are maintained in the production of tobacco, both domestically and abroad, and that industry information and research should be made available for public review. Agencies with public health responsibility, including the Food and Drug Administration (whose authority over manufactured tobacco products should not extend to on-farm tobacco production), should work cooperatively through structures already in place in the Department of Agriculture and Environmental Protection Agency so as not to extend any additional control and bureaucracy over the on-farm production of tobacco.
4. That tobacco quota holders and tobacco lease holders should be given the opportunity to have their quotas compensated for at a fair and equitable level, and that the protection of tenant farmers be given special consideration as part of this process to ensure that they are not adversely affected.
5. That a significant amount of money be allocated so that tobacco growing states and communities have options and opportunities to ensure their economic viability into the 21st century. There must be significant involvement of tobacco growing communities in determining the allocation of these funds, and decision making for plans to enhance the economic infrastructures of these communities should be governed primarily through community-based input. Agricultural-

¹¹ CHAPTER 50. TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION (URL) <http://leg1.state.va.us/cgi-bin/legp504.exe?991+ful+HB2635ER>

based development in particular ought to be given a high priority.

That on issues related to public health there is agreement:

1. That it is in the best interests of the public health community and the tobacco producer community that the FDA should have authority to establish fair and equitable regulatory controls over the manufacture, sale, distribution, labeling (including country of origin) and marketing of tobacco products, both domestic and imported, comparable to regulations established for other products regulated by the FDA. Such regulations should have as their goal the protection of public health and the assurance that users of tobacco products are provided with full and complete information about the products they are using. In order to accomplish this goal, industry information and research should be made available for public review.
2. That there should be strong complementary fed-

eral, state and local laws which guarantee that tobacco products are not marketed, advertised, sold or otherwise made available to anyone under the age of 18.

3. That prohibition of the use of tobacco products by informed adults of legal age is not a goal of public health advocates or tobacco producers.
4. That there should be mechanisms in place to prevent the importation of foreign tobacco, whether in raw agricultural leaf, reconstituted or homogenized leaf, tobacco by-products, or any other form or alteration of tobacco, that does not meet pesticide residue requirements and other quality controls required for domestically grown and produced tobacco.
5. That if there is an increase in the federal excise tax in any legislative proposal, a portion of the tax would be used for carrying out public health initiatives, and a portion of the tax would be used to assist farmers and their communities in addressing their economic dependence on tobacco.

Table 1: Core Principles Signatories 1/29/99

Location	Organization
Nat	American Academy of Addiction Psychiatry
Nat	American Association for Respiratory Care
Nat	American Cancer Society
Nat	American College of Cardiology
Nat	American College of Chest Physicians
Nat	American College of Preventive Medicine
Nat	American Heart Association
Nat	American Public Health Association
Nat	American School Health Association
Nat	Americans for Non-smokers Rights
Nat	Association of Schools of Public Health
Nat	Association of Teachers of Preventive Medicine
Nat	Campaign for Tobacco Free Kids
Nat	Carter Center
Nat	Christian Broadcast Network
Nat	College on Problems of Drug Dependence
Nat	Dr. Pat Robertson
Nat	Family Voices
Nat	Federation of Behavioral, Psychological and Cognitive Sciences
Nat	Interreligious Coalition on Smoking or Health
Nat	National Association of Local Boards of Public Health
Nat	National Black Farmers Association
Nat	National Farmers Union
Nat	National Hispanic Medical Association

Table 1: Core Principles Signatories 1/29/99 (Continued)

Location	Organization
Nat	Oncology Nursing Society
Nat	Partnership for Prevention
Nat	President Jimmy Carter
Nat	Rural Advancement Foundation International
Reg	American Cancer Society Mid-South Division (TN, KY, AR, LA, MS, AL)
Reg	American Heart Association Ohio Valley Affiliate (KY, OH, WV)
Reg	Burley Stabilization Corporation
Reg	Burley Tobacco Growers Cooperative, Inc.
Reg	Commodity Growers Cooperative Association
Reg	Flue Cured Tobacco Stabilization Corporation
Reg	National Capital Area Society for Public Health Education
Reg	New England Society for Public Health Education
VA	Albemarle Co. (VA) Medical Society
VA	Allies for Tobacco, Inc.
VA	American Cancer Society, Virginia Council
VA	Concerned Friends for Tobacco
VA	Halifax County Board of Supervisors
VA	Medical Society of Virginia
VA	Virginia Agricultural Growers Association
VA	Virginia Dark-Fired Growers Association
VA	Virginia Farm Bureau
VA	Virginia General Assembly
VA	Virginia Public Health Association
VA	Virginia Sun-cured Growers Association
VA	Virginia Tobacco Growers Association
AL	Alabama Attorney General Bill Pryor
GA	Georgia Public Health Association
KY	American Lung Association, KY
KY	Attorney General Ben Chandler
KY	Center for Sustainable Systems
KY	Coalition for Health & Agricultural Development, KY
KY	Daniel E. Kenady, MD, UKMC
KY	Kentucky Academy of Family Physicians
KY	Kentucky Action (ACS, AHA, ALA, KMA. . .)
KY	Kentucky Health and Agriculture Forum
KY	Sierra Club, Cumberland Chapter
MI	Michigan Farmers Union
NC	North Carolina Society for Public Health Education
NJ	New Jersey Society for Public Health Education
NY	Greater New York Society for Public Health Education
OH	Ohio Society for Public Health Education
SC	South Carolina Public Health Association
SC	South Carolina Project ASSIST
TX	Texas Society for Public Health Education

