**TGANC Leadership Promote Tobacco to Export Customers**

Because of taxes, increased regulations and smoking bans in many public locations across America, along with a conscious effort by some consumers to quit smoking, the domestic consumption of cigarettes continues to decline. Understanding this reality means growers must recognize how such trends impact the demand for our leaf. The export market now accounts for greater than 50% of our contract leaf marketing’s. And remember that is an increasing number of fewer pounds than were marketed last year so it can be assumed that the export demand is basically flat.

TGANC believes that it is imperative that we work to maintain relationships, rapport and candid dialog with all our customers, both domestic and foreign. Obviously it is relatively simple to meet in person with leadership of the major tobacco companies at home because many of them are based in North Carolina. Our association tries to keep a positive and consistent dialog with representatives either through office visits or exchanges that can occur at various industry events including TGANC board meetings.

But to reach out to our existing export customers requires considerable more expense, travel and coordination. In June of this year TGANC urged, supported and participated in an export promotion visit led by Commissioner of Agriculture Steve Troxler. In addition to the TGANC representatives the NC Farm Bureau, Tobacco Associates, NC Agribusiness Council and NC State University also participated. It was the first time such a visit had occurred in a comprehensive fashion to many of the locations we visited. As a measure for the commitment to quality by NC growers our customers had before them the leadership of key farm organizations, the elected Commissioner of Agriculture for the state and one of the chief tobacco experts in the college of Agriculture and Life Sciences at NC State. The delegation of all farmers along with the university provided answers regarding the crop, cultural practice, policy issues and research all in one delegation

The group met with executives for JTI in Geneva, Switzerland; PMI in Luassane, Switzerland and Imperial in Hamburg, Germany. In each instance Commissioner Troxler opened discussion by thanking our existing customer for their business commitment to NC growers. Certainly we asked for more sales opportunity in the future as part of that discussion.

**COMMON GLOBAL DISCUSSION TOPICS**

**MH Residue:**

Some of the consistent specifics discussed in each setting included topics such as MH residue. The delegation expressed concerns about the method used for testing. The errors that can and do occur with regards to inaccuracy of testing and concerns present if MH became a forbidden product approved for use. We explained that much attention has been placed on the management of how to use MH. For example, temperature at time of application, using low pump pressure, proper sprayer calibration, adherence to the label, never use prior to first harvest and try to avoid application until after second pulling if possible. Additional tips for growers included waiting for rainfall to wash off any residue crystals present and never harvest immediately following spray application.

Leaders argued to our European customers that through continued education and emphasis on the consequences if we are not diligent about delivering improved residue finding s would eventually improve our grower’s performance in terms of this issue.

**NTRM**:

The U.S. represents the finest leaf available. This is in large part due to the God given natural resources that we enjoy such as abundant farmland, ideal soils and the right climate for growing tobacco. It is also enhanced by the capability of our growers. They possess the knowledge and artistic understanding of producing a quality crop of tobacco even when environmental conditions such as heat, rain or wind are not cooperative.

Our growers are also extremely innovative. The secure the own operating capital, obtain labor to handle the crop, have their own transportation and equipment and own the barns they cure tobacco in. Every year we see examples of how mechanization helps to increase output, lower costs or both. All of this in an effort to survive.

During the past two decades however, we have encountered responses that our leaf was expressing too much NTRM. Especially barn foam, certain plastics like black drainage pipe and personal effects such as drink bottle tops and candy wrappers. During our recent visits we heard accounts that we are making noticeable improvements regarding these issues. We assured customers that farmer are aware of this concern and are engaged to produce favorable results. However more can and must be done to try to get as close as possible to fully eliminating this impact. Cleaner tobacco is a confidence boost to our customers’ willingness to support our market. In our discussion we felt that buyers understand that through attrition our farms become fewer in numbers and larger in scope of operation. One consequence of that can be increased opportunity for NTRM due to an expanded quality control challenge. At the same time fewer growers means we have an improved channel to focus communications and expect results.

**NITROSAMINES:**

A decade has now passed since we first learned how to pronounce the word nitrosamine. Many of us still do not fully understand what it means or its impact on tobacco. What we have learned is that barns must be tested regularly to ensure buyers about our functioning condition of the heat exchangers. This is a unique situation since we are the largest producer that cures tobacco using indirect fire devices. Leadership is working all the time to better understand and inform growers about technology that can curb this risk. Regular testing using approved CO2 devices and capturing data to baseline is proof that growers work to maintain the curing barns in an effort to deliver tobacco absent this nitrosamine concern. TGANC informed export customers that the association is striving to achieve an industry wide single testing standard whereby all barns are tested, scored and approved using consistent methodology and approach. Once achieved it will save costs to farmers and companies as well as provide confidence to every buyer that all barns in NC have been tested and approved.

**SOCIAL RESPONSIBILITY:**

Other common global topics were addressed at each of the meetings. Those topics included social responsibility. This is a priority to our NC growers that customers understand our full commitment to maintain safe and appropriate working conditions, including housing issues where guest workers are employed. It is our understanding that some regions of the worked that we compete with may still violate child labor laws and reportedly expose workers to unnecessary and unsafe work conditions such as pesticide exposure. Our leadership team emphasized that the farm worker is an integral part of the family farm success in NC due to the constant need to achieve better outputs and improved efficiencies.

**FDA**

FDA was a topic on the agenda at each of the visits. We discovered that our foreign customers are very aware of the recent legislation to allow FDA to regulate the manufacture of tobacco products but that congress specifically barred FDA from having any jurisdiction on the farm itself. However, the requirements placed on manufacturers will certainly pass down to the farm.

How and to what extent changes in cultural practices associated with tobacco farming is still a while from being fully understood. For farmers and by extension, our export customer the concern is how will compliance changes impact prices or costs of production? While FDA regulatory could boost some consumer confidence towards tobacco products simply on the full disclosure of ingredients it may cause our leaf to become too expensive to compete in the global market place.

**STABILITY OF SUPPLY:**

This is a recurring theme for both foreign and domestic buyers. We responded with the term “Stability of Demand’. We encouraged buyers to advance using a model that creates multi-year contracts. NC growers need more certainty if they are going to become willing to make key and substantial capital investments. It is our current view that long term in this business is twelve months or actually less when you consider it has become February before many contract conditions are actually known by growers for a crop cycle that concludes the following October. We tried to emphasize that a tobacco crop cycle begins in early January when acreage terms are negotiated for items such as land rent. Green house inputs start in January and mast begin seeding houses by early February. By all accounts, a tobacco crop is “in the ground” once those greenhouse trays are filled. Growers begin farming tobacco from the time the heat turns on in the greenhouse until the last bale is marketed in the fall.

**EXPLAINING EXPOSURE:**

Our export customers need to improve understandings for the type of exposure today’s modern tobacco family farm is up against. We have now produced and sold six crops since the advent of the much needed tobacco buyout. The result has been increased efficiency, more output more acre, fewer growers tending more acres in a more concentrated geographical area and a tobacco crop that costs multi-thousands of dollars to deliver.

The security of the old no-net-assessment program which Stabilization Cooperative used to administer has also vanished. It worked very effectively to protect the price of (retail) every pound of tobacco but it achieved that at the costs of what volume of pounds we could produce each year. In the days of the program farmers could bank on the price floor at a preannounced support using a formula. Tobacco that didn’t make grade would find its home in the “pool” which was the stocks of leaf inventoried under guaranteed loan backed by Commodity Credit Corporation.

In the current free market tobacco that doesn’t make grade or is surplus to a buyer could be destined to ride back home to the farm at no immediate value. Fair to say, all tobacco has a price and value but gone is the floor support that often guaranteed a return greater than the cost of production. In 2011 that bale that returns home with a grower fetches $0 and subsequently helps to pay zero bills.

The result of this market dynamic is that growers are exposed too much greater risks in terms of financial consequences. Add to this zero return situation the fact that the average grower today is well in excess of 100 acres and you can understand that the average grower has over half million dollars of exposure just to hope to deliver his crop. This is a significant development compared to just 10 years ago when many farmers averaged 50 acres.

**UNIQUE MODEL:**

North Carolina enjoys the benefits of having a unique support system as an integral part of our farm to market success. From research to promotion, no other tobacco growing sector in the world has such a complete program. In North Carolina farmers fund and support advocacy organizations that represent them on many important fronts. Research is conducted in a joint partnership between the NC Department of Agriculture and the College of Agriculture at NC Ste University. Some of this occurs on farms owned and maintained by the two entities and some of it is conducted “on farm” tests with volunteer producers.