

TGANC

Tobacco Growers Association of North Carolina

**ITGA Annual General
Meeting : October 2022**

**America's Farmers Vision
Towards Sustainability (US)**

Graham Boyd, TGANC, EVP

About TGANC

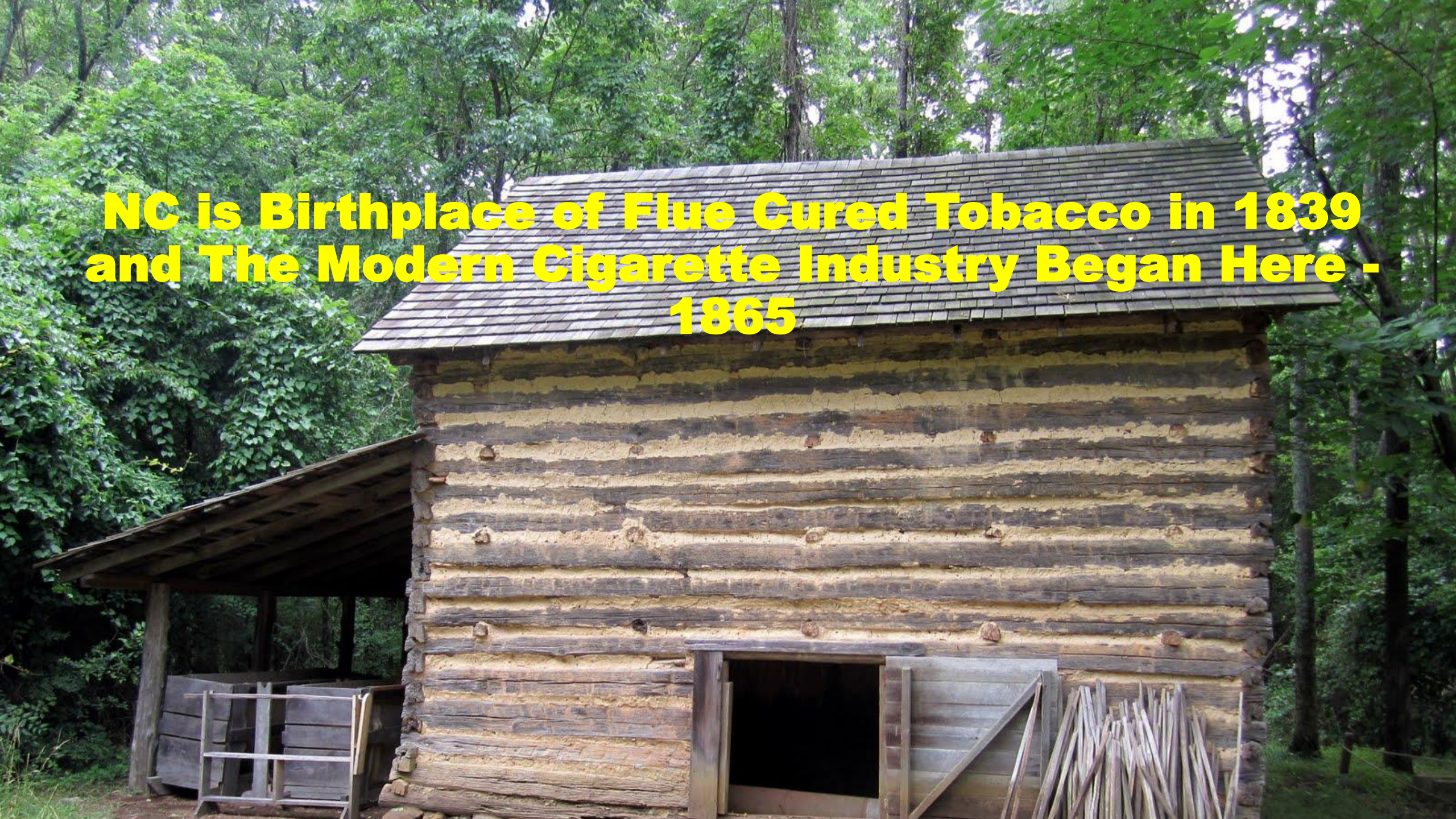
- Tobacco Specific Commodity Organization
- Formed in 1982
- Represents Growers on a Host of Issues –
 - Policy
 - Production
 - Research
 - Advocacy
 - Market Relations



What are the sustainability topics?

- **Record Costs of Production**
- **Reduced Total Acreage**
- **Government Regulations**
- **ESG**
- **Labor Issues**
- **Agronomic Opportunities – Yield and Diseases**
- **Profit Margins and Alternative Crops**
- **Attrition and the Next Generation**

**NC is Birthplace of Flue Cured Tobacco in 1839
and The Modern Cigarette Industry Began Here -
1865**





Post Civil War: Duke Begins Mass Mfg of Tobacco in Durham NC

A Timeline of Tobacco

- *HistoryNC.org* records that in 1860 NC had 75,203 Farms.
- Nearly 1/3 grew a 33 million pound crop of tobacco
- By 1900 NC was producing 127.5 million pounds of flue cured
- Exploded to 380.2 million pounds by 1920 with the advent of five major mfg.
- Today NC has approximately 50,000 farms of which 1800 may grow tobacco.
- In 2019 we planted 111,000 acres and yielded about 255 million pounds.
- **Our smallest crop in a century.**

History of Sustainability

- We have always been focused on how to improve results
- Better Genetics
- New Technology
- Improve Efficiencies

Seed Preparation 1970 compared to 2022



Transplanting 1950 compared to 2022 – Current machines can set 40 acres/day



Harvest technology now enables one machine to harvest in 18 minutes what took six people all day just 50 years ago.



Cost of Production 2022 and Beyond

- **Economists calculations = \$5,600 per acre**
- **Fertilizer was up 100% (greater than \$1,100 per ton)**
- **Fuel increased 122% (Over \$5.00 per gallon diesel)**
- **Labor wages rate increased from \$13.15 to \$14.16 per hour.**
- **Projected for 2023 to increase to \$15.25**



- *Gained Authority in June 2009 to regulate tobacco products.*
- *Family Smoking Prevention and Tobacco Control Act.*

New FDA Regulations – Restrictions

Avg Budget = \$672 Million Tobacco User Fees

Menthol Ban: VLN:

Since 2018 FDA has pushed for low Nicotine



▶ **SCOTT GOTTLIEB | FDA COMMISSIONER**
**FDA SAYS LOWER NICOTINE LEVELS COULD
CUT SMOKING RATE FROM 15% TO 1.4%**

LG

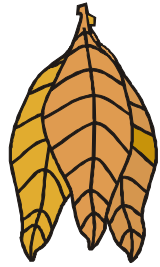
FDA Assertion

Why is this proposed NNN rule significant?

- It's the first rule on tobacco products by FDA
- It would be unlawful by creating a de facto ban or prohibition
- Would effectively be a regulatory over-reach to dictate farm practices
- Could eliminate production of Dark Air, Dark Fired and Burley
- Creates dangerous precedent

What ESG Means for the Future

- Increased Scrutiny
- Costs to be Compliant
- GAP Certification
- New “Buzz” words: Climate Friendly, Carbon Sequestration, etc.
- Primarily focused on Labor Issues



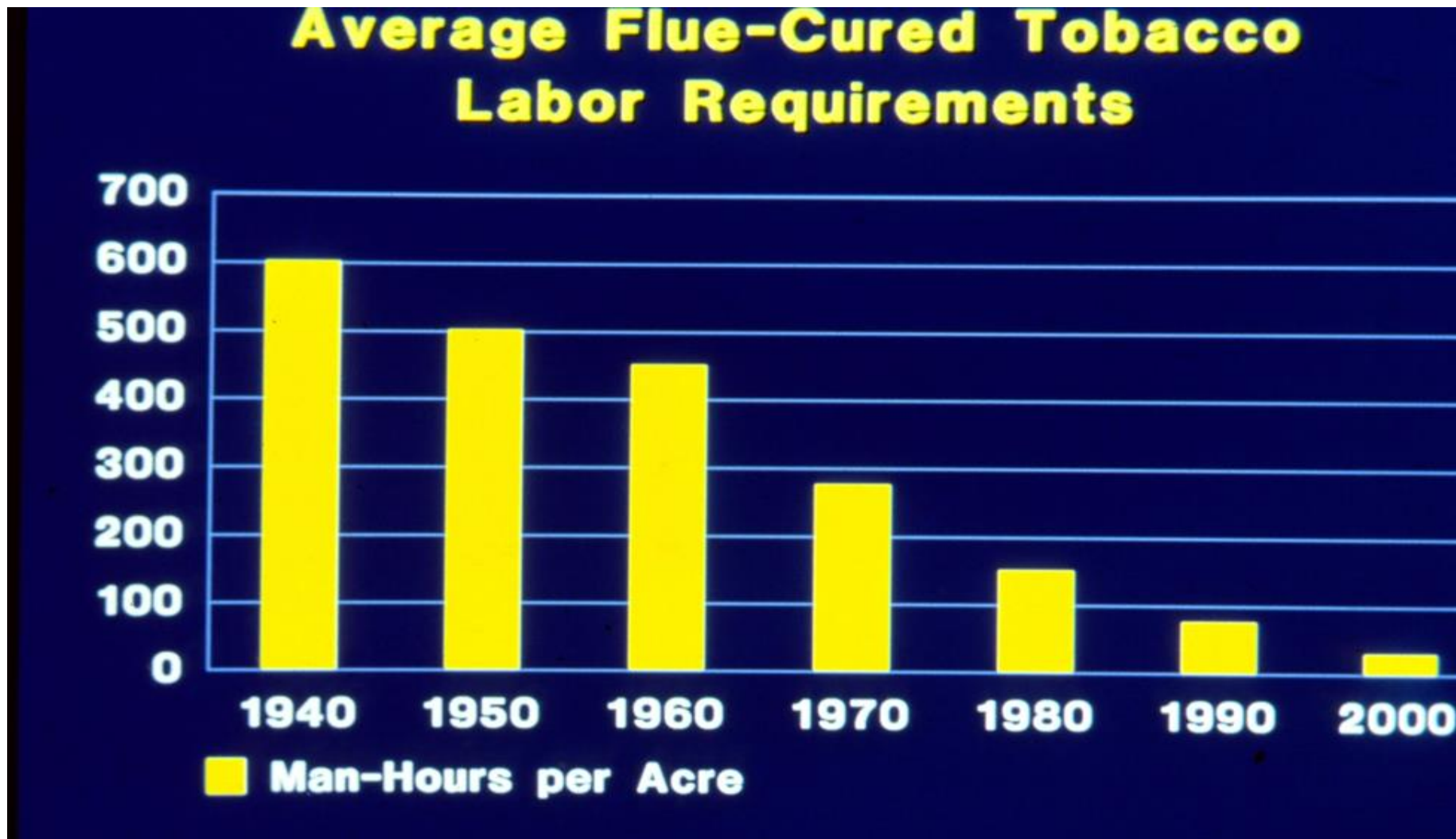
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Labor issues remain
top concerns for
most growers



Historical Comparison of Labor Needs



**With So Many
Labor
Reduction
Advancements-
What Is
Current Labor
Related
Concerns?**

Stability of dependable and
legal work force

Pressure from advocacy groups
such HRW

Labor Unions

Wage rates

Labor is Largest Cost of US Tobacco

- The AEW in 2022 = \$14.16
- Projected in 2023 = \$15.25
- Requires a Legislative Fix (*complicated*)
- More Regulations Expected



DOL New Package of Regulations Expected

- Expect a new package to be released on Nov 24, 2022
- Focus on Heat Stress & Related Illness
- Mandatory periodic paid rest breaks
- Minimum shade availability requirements
- Increased reporting and record keeping
- Expensive \$ penalties with automatic increases
-

Administrative Reforms – November 24th

- **Reforms farm worker VISA program**
- **Increase insurance coverage cost requirements**
- **Expands legal liabilities to farmers**
- **Removes appeal processes and due process protections**
- **Authorizes the government to set wages without transparency**

On Deck for 2023

- **Separate “wage” only regulations in the queue for implementation in 2023 that will reclassify many farm work activities – resulting in higher wage rates**
- **Will remove farmers flexibility to assign multiple and diverse task to employees**



How did we arrive at this new, gloomy circumstance?



Expensive Crop to grow.

Risk:Reward - too Low

Aging Grower Base

Aging Infrastructure

Compliance Cost and Legal

“A farmer shouldn’t have to hire a lawyer, to hire a farm worker” Lee Wicker, NCGA

Summary

- **We still want to produce tobacco – must be profitable**
- **Need long term contracts and commitment to US crop**
- **Need production confirmation earlier December/January**
- **No more compliance regs and rules**
- **Wage relief**
- **Increase and consistent yields**
- **Farmers are industry's strongest political/policy impact**
- **Unity between growers and purchasers never been more critical**