



NATIONAL CENTER FOR TOBACCO-FREE KIDS

Statement of Matthew Myers

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Good morning Mr. Chairman and members of the Committee. My name is Matthew Myers. I am the President of the National Center for Tobacco-Free Kids, a national organization created to protect children from tobacco by raising awareness that tobacco use is a pediatric disease, by changing public policies and by actively countering the special interest influence of the tobacco industry.

Mr. Chairman, I want to thank you for inviting the National Center to testify on the question of a tobacco quota buyout and surrounding issues. I was privileged to serve as the Co-Chair of the President's Commission on Improving Economic Opportunity in Communities Dependent on Tobacco Production While Protecting Public Health. Two critical factors led to the formation of the Commission. The first factor was the unprecedented economic hardship that faced, and continues to face, tobacco farmers and their communities. The second factor was the recognition that more needs to be done to reduce the harms to public health that are caused by use of tobacco products.

I want to quote from the opening page of the Commission's Final Report that described the situation at the time of the report in May 2001. Sadly, more than two years later, nothing has changed.

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."**

Mr. Chairman, it may surprise some that representatives of the public health community are concerned about the plight of tobacco farmers and their communities, but we are. Tobacco farmers are not the problem. We understand that they are the mainstay of numerous rural communities. Some are the great or great-great grandchildren of farmers who raised a crop that goes back to the founding of this country. They are hardworking, and tobacco is their livelihood. The crisis facing tobacco farmers and their communities requires decisive federal action to reduce economic dependence on tobacco, to assist tobacco farmers in diversifying farming operations and local economies, and to create a new system that allows farmers who wish to continue to grow tobacco to compete fairly. At the same time, the crisis facing our nation's public health requires decisive federal action to regulate manufactured tobacco products.

We support good buyout legislation being married to good legislation providing the Food and Drug Administration (FDA) with effective authority over manufactured tobacco products. We oppose any effort to move buyout legislation, including legislation that we otherwise support, absent an agreement that prevents it from serving as a vehicle for weak FDA legislation.

Our position on these two complex, intertwined issues has a long history and a complicated context. The Commission on which I served found that huge drops in demand for U.S. tobacco here and abroad are squeezing tobacco farmers. The cause is less the gradual drop in tobacco use in the United States because of public health concerns than the increasing use of foreign-grown tobacco by U.S. manufacturers in the cigarettes they make here and overseas, the increasing costs facing tobacco growers, and the payments many active growers have to make to quota holders for the right to grow tobacco.

While the farmers have suffered, the tobacco manufacturers have continued to make a substantial profit on the sale of their products. The tobacco farmer's portion of the retail tobacco dollar has fallen 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 existing 25 years ago are gone. The future for tens of thousands of tobacco farmers and their communities across more than 20 states is bleak.

At the same time, many people in this country suffer every day and ultimately die from tobacco-caused diseases. 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.

As surprising as it may seem, we believe that the health and safety of the American people and that of tobacco farming communities are linked. 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. The current tobacco program needs to be significantly restructured, but not eliminated. Its elimination would in the opinion of the farmers and economists who testified before the President's Commission make it impossible for small family farms that are the backbone of so many communities to survive, and with the demise of these farms would come the economic strangulation of the communities in which they live.

Without meaningful price and production controls and continued restrictions on where tobacco can be grown, the price of tobacco would drop over the long run and thousands of family farms would be replaced by a few very large farms. Jobs, communities and a way of life would be lost; poverty in current tobacco growing regions would increase; and with an increase in poverty comes a decrease in health status. The elimination rather than the restructuring of the tobacco program could also impact quality standards, such as keeping U.S.-grown tobacco free of unapproved pesticides. It would also violate a cardinal principle adopted by the Commission: any changes in the tobacco program

should focus on long-term solutions to the problems facing tobacco farmers, not on short-term quick fixes.

As a result of these findings, we have joined with tobacco farmers in urging Congress to:

- provide tobacco growers and quota holders with fair and equitable compensation for their quota funded through a user fee on the tobacco companies or other source of new revenue
- replace the current program with a new system of licensing that controls supply, maintains price, protects family farmers and gives farmers and their communities both short term and long term stability
- provide economic development assistance to tobacco communities

Tobacco quotas should be replaced with a new system of production permits. Only active tobacco growers should hold these permits so that they will not become marketable assets that add to the production costs of tobacco. Quota is part of the retirement arrangements of some quota owners. It is the inheritance of others. It is only fair that these individuals be adequately compensated.

We also support, as part of the buyout, providing to farmers who decide to use the buyout as an opportunity to stop growing tobacco a payment larger than the payment made to farmers who elect to continue to grow tobacco. While we support a payment to both categories of growers, many of these farmers have poured all of their available funds into their farms and have not been able to save either for retirement or to make a transition into growing other crops or another profession. To enable those who wish either to retire or to make a transition into earning their income without growing tobacco, they should receive enough of a buyout to enable them to do so.

The testimony before the Commission indicated that the buyout and new production permit system will lead to a more stable, economically viable situation for those farmers who remain and will be able to operate free of federal financial support. We were informed that many farmers would stop growing tobacco, resulting in fewer people growing tobacco, and that the elimination of quotas will lower the cost of production. The proposed changes will cut the financial cord between the federal government and tobacco growing.

Tobacco growing communities are already in transition. It is a transition caused by the dramatic drop in recent years in tobacco quota. The issue is not whether tobacco communities are facing a transition, it is what help they will receive during this transition. Any buyout should take into account the need to help farmers and communities make an orderly transition. Economic development assistance is critical for both individual farmers and tobacco growing communities. It is also important that small family farmers receive their pay out more quickly – we recommend over one year – if they are to have the funds needed either to retire or make a transition.

Finally, at a time of fierce competition for federal dollars, no one seriously thinks that the funds for a tobacco buyout can come from the general revenue where every dollar for a tobacco buyout must compete with other agricultural needs and other pressing national priorities. The Commission recognized this problem and recommended that the buyout be funded through an increase in the tax on manufactured tobacco products. Reflecting our desire to be flexible, those of us in the public health community who support the farmers' cause have indicated that we would support a proposal that was financed through a user fee.

The Commission proposal could be fully funded and paid out over five years from a 17-cent excise tax or user fee based on a 1998 quota year according to economists from various academic institutions and the Department of Agriculture. We would hope that any program that is adopted would be funded at this level and would not be based on a later quota year when tobacco quotas had already dropped because of the buying patterns of the major cigarette manufacturers. Many farmers went into debt based on false expectations that were generated by pre-1998 tobacco manufacturer buying decisions and protections that they thought the federal program offered them. The additional user fee needed to pay out farmers based on 1998 quota is only a few pennies per pack – too small an amount to impact consumption – but the impact of a far smaller payment to farmers and their communities would be significant.

The farm leaders and the public health leaders on the Commission also reached a consensus on a number of public health measures. Most prominently, this included Congressional authorization for the Food and Drug Administration (FDA) to establish fair and effective regulatory mechanisms for the manufacture, sale, marketing, distribution and labeling of manufactured tobacco products, comparable to regulations established for other products that the FDA regulates. We agreed that the regulations should aim to protect public health. In addition, the U.S. Department of Agriculture (USDA) and the Environmental Protection Agency (EPA) should retain authority to set safety standards governing tobacco farms and tobacco growing. Our proposal will not put FDA on the farm. In the long run, both the framers and the public health community agreed that effective FDA regulation of tobacco products benefits everyone.

Granting FDA authority over manufactured tobacco products will save lives and protect the public health. It also will directly benefit U.S. tobacco farmers, who are better able and better equipped than tobacco growers in other countries to respond positively to both domestic and international actions designed to address health concerns. In addition, FDA rules provide tobacco farmers an opportunity to be heard as part of the regulatory process. This will prevent farmers from having to change what they are doing on short notice when manufacturers demand new production techniques or leaf characteristics based on corporate decisions with no public or farmer input.

The Commission included leaders from the tobacco growing community, public health community and economic development experts. Its recommendations are the continuation of a remarkable dialogue that began when approximately 80 public health and agricultural organizations, including major tobacco grower associations, first gathered in the mid-1980s for face-to-face discussions about the plight of tobacco farming communities and the need to protect public health.

The consensus reflected by the Commission report has been widely accepted. It has been endorsed by the Burley Tobacco Growers Cooperative Association, the Flue-Cured Tobacco Cooperative Stabilization Corporation, the Kentucky Growers Association, Concerned Friends of Tobacco from Virginia, the North Carolina Growers Association, the National Tobacco Growers Association, the South Carolina Tobacco Growers Association, the Florida Growers Association, the Tobacco Growers Association of Georgia, the Virginia Tobacco Growers Association, the National Farm Union, the American Heart Association, the American Cancer Society, the National Center for Tobacco-Free Kids, Kentucky Action, Tobacco Free Ohio, and many others.

For years members of Congress from tobacco growing states have said to tobacco farmers – if you all could only agree on a single fair proposal, we will move it forward. The endorsement of the principles and plan laid out in the Commission report reflects just such a consensus. We heard not a single voice of opposition to the principles laid out above from any tobacco growers or any organization representing tobacco growers.

Mr. Chairman, there is a strong linkage between all the recommendations adopted by consensus of the farming community and the public health community. All are essential to forming sound public policy that can make a real difference in the economic crisis facing tobacco farmers and in the public health crisis stemming from tobacco use. We have been flexible in evaluating how different proposals accomplish these goals, but remain firm in our commitment to the principles we all agreed upon. These principles will guide our evaluation of any proposals for a tobacco buyout and for FDA regulation of manufactured tobacco products. We have attached the Guiding Principles adopted by the Commission as an Appendix to our testimony.

Mr. Chairman, The National Center for Tobacco-Free Kids has endorsed tobacco quota buyout legislation, introduced by Rep. Fletcher, that would provide growers with compensation and a continuing tobacco program. Last year we endorsed legislation introduced by Senator Hollings that also was consistent with the needs of tobacco growers and the principles adopted by the Commission. Other members of Congress, including Senators Edward Kennedy, Tom Harkin, and Richard Durbin, have endorsed the goals of the public health community on buyout legislation in a letter last year to the Flue-Cured Tobacco Cooperative Stabilization Corporation and the Burley Growers Cooperative Association.

Some cigarette manufacturers and some in Congress say that Congressman Fletcher's proposal is unrealistic. We disagree. It is not the public health community, or its allies in Congress, that are standing in the way of a fair buyout supported by growers. Only the tobacco manufacturers have voiced their opposition. If the public health community is standing with tobacco growers, it is hard to understand why so few members of Congress from tobacco growing states have endorsed bills consistent with these principles. If there is a surprise in what has happened since the Commission issued its report more than two years ago with broad public health community support, it is that so little has been done by those who traditionally support tobacco growers to address their needs. The choice for this Committee and the Congress is between those family farmers and the tobacco manufacturers.

The dialogue between tobacco growers and the public health community has indeed become a partnership to prevent long-term suffering in tobacco-growing communities and to protect the public health. In the two plus years since the report was issued we have done everything we can to demonstrate our support. We continue to support that partnership and the policies it has produced.

However, candor, and the trust built by this partnership, require me to say today, as I have many times before to my tobacco grower friends, that while we are prepared to support legislation that is consistent with the principles laid out by the Commission, we will oppose any legislation or any legislative process which serves as a vehicle or potential vehicle for enactment of weak FDA legislation that in our view does more to protect tobacco manufacturers than the public health.

The public health community would prefer no FDA legislation to weak, ineffective legislation. Ineffective FDA legislation would likely close the door for years to efforts to fashion appropriate FDA regulations and would usher in a new generation of tobacco products for which unproven health claims could mislead consumers worried about their health into switching rather than quitting. We cannot allow that to happen. Over the last two years we have supported a number of proposals in both houses of Congress to grant the FDA jurisdiction over manufactured tobacco products and have opposed several that fell below the minimum standards upon which we have agreed. Last year the leading tobacco grower organizations voiced their support as well for a bill that we also support - the bill introduced in the Senate by Senators Kennedy and DeWine.

Mr. Chairman, there are not many legislative days left this year. It is still possible to reach the kind of agreement that will be necessary to bring together the broad coalition that will be needed to pass legislation consistent with the goals we have set forth, but it will only happen if members of Congress concerned about the buyout and members of Congress who have traditionally urged the enactment of legislation granting FDA authority over manufactured tobacco products come together to attempt to reach agreement on both the substance of legislation and

a process to assure each other that any agreement will be reflected in the ultimate legislation. This needs to happen before any legislation moves through either the House or the Senate and before any attempt to link buyout legislation with legislation granting FDA authority over manufactured tobacco products. That is a tall order, but in the absence of an agreement, the regular legislative process will not provide any of the parties involved with sufficient assurances of an acceptable outcome given the traditional disagreements concerning these controversial issues.

We are prepared to work full time to accomplish our mutually agreed upon goals but we want our position to be clear: 1) we support good buyout legislation being married to legislation we support that provides FDA with authority over manufactured tobacco products; 2) we oppose any effort to move grower legislation, including grower legislation that we otherwise support, through the House absent an agreement that prevents it from serving as a vehicle for weak FDA legislation. With very few exceptions the necessary dialogue between members of Congress to make all of this happen has not even begun although we are seven full months into this legislative session. We urge Members of Congress to begin those conversations today.

Mr. Chairman, strong action is urgently required to prevent long-term economic suffering for tobacco farmers and their communities. Unless action is taken, tens of thousands of farmers will struggle to survive and many, including whole communities, will not make it. Equally strong action is needed to protect the public health from the harms caused by tobacco products. Inaction and posturing should not be options. We stand ready to do whatever is necessary to be a good partner in this undertaking, and to make sure it does not fail because of a lack of effort or sincerity on the part of the public health community.