



Flue-Cured Tobacco...

SCOOP

...A newsletter from
Flue-Cured Tobacco Cooperative
Stabilization Corporation
www.ustobaccofarmer.com

61st Annual Meeting Held At Timberlake

Flue-Cured Cooperative Stabilization Corporation held its members' 61st annual members meeting on June 8, 2007. The meeting began at 10:00 am at the U.S. Flue-Cured Growers, Inc., in Timberlake, North Carolina. The purpose of the annual meeting is to hear the report of the President and to transact such other business as may come before an Annual Membership Meeting.

Stabilization invited several guest speakers to address issues facing farm members and our tobacco industry. The speakers were Dr. Richard Reich-NC Department of Agriculture, Mr. Lee Wicker N.C. Growers Association, and Mr. Scott Ballin-Steering Committee of the Alliance for Health, Economic and Agriculture Development. An invitation was also extended to Senator Richard Burr, but the senate was in session and Senator Burr could not attend; however, he did send a representative from his office, Mr. Ryan Cones to attend the meeting.

Following the Invocation by Board member Keith Beavers and an introduction by President Albert Johnson, Dr. Reich complimented Stabilization's work with the tobacco farmers. He stressed Stabilization's promotion of North Carolina's agriculture products on a domestic and international basis was vital to the state's economy. The N.C. Department of Agriculture

commended Stabilization's diligent work and continued success with the selling of tobacco products to China.

Dr. Reich stated the tobacco buyout program had led to tobacco farm consolidation. Since the buyout 5,500 farms representing 300,000 acres had been lost to land development pressure.

In 2005, there were 123,000 tobacco acres. In 2006, there were 155,000 tobacco acres with approximately the same tobacco acres planted this year. He stressed the importance of agriculture/farming as it is the largest industry in the state of North Carolina.

In closing, Dr. Reich stressed the North Carolina farmers' need for an affordable and adequate supply of legal labor. He said, "Affordable labor is essential to the food and tobacco industries' livelihood.

Mr. Lee Wicker is Deputy Director of the N.C. Growers Association. N.C.G.A. has 725 members and is the largest H2A program in the nation. He addressed the subject matter Farm Labor Issues. Mr. Wicker stated since 9-11, the country's are tighter, equating to a diminishing flow of workers. He admitted the cooling down in the housing market had somewhat eased tight labor availability for the farmers.

Mr. Wicker detailed the complexity of issues associated with the current H2A program. He discussed *(continued on page 2)*



President Albert Johnson addresses Annual Meeting

2007 Marketing Center Openings

<u>Marketing Center</u>	<u>Opening Date</u>
Big L Warehouse Mullins, S.C. Telephone No. 843-464-4300	Aug. 1 - Wed.
Brannen Tob. Ware. Statesboro, Ga. Telephone No. 912-764-3930	Aug. 1 - Wed.
Planters Gold. Leaf Lake City, S.C. Telephone No. 843-374-8821	Aug. 2 - Thurs.
Planters Warehouse Nashville, Ga. Telephone No. 229-686-9763	Aug. 6 - Mon.
Sampson Tob. Ware. Clinton, N.C. Telephone No. 910-592-8933	Aug. 8 - Wed.
Roger's Warehouse Williamston, N.C. Telephone No. 252-792-2254	Aug. 9 - Thur.
Exchange Warehouse South Hill, Va. Telephone No. 434-447-3540	Aug. 21 -
Motley's Warehouse Danville, Va. Telephone No. 434-836-1119	Aug. 22 -
Old Belt Coop. Telephone No. 336-969-6891	Aug. 23 -
Dailey operating times: 8:00 am to 4:00 pm. Please call to set up your appointment today.	

Flue-Cured Tobacco Cooperative Stabilization Corporation is the grower owned and supported cooperative that serves flue-cured tobacco growers in Virginia, North Carolina, South Carolina, Georgia, Alabama and Florida.

President

Albert Johnson

Vice Presidents

Kenneth Dasher
D. Lamar DeLoach
Andrew Q. Shepherd
Jimmy Pate

General Manager

Arnold Hamm

Directors

District 1	Kenneth Dasher Live Oak, Florida
District 2	D. Lamar DeLoach Statesboro, Georgia
District 3	Albert M. Johnson Galivants Ferry, South Carolina
District 4	James C. Pate Rowland, North Carolina
District 5	Keith Beavers Mt. Olive, North Carolina
District 6	Blythe H. Casey Kinston, North Carolina
District 7	Keith Parrish Benson, North Carolina
District 8	Jimmy Crews Oxford North Carolina
District 9	Richard Renegar Harmony, North Carolina
District 10	Andrew Q. Shepherd Blackstone, Virginia
Public Director	James T. Hill, Jr. Kinston, North Carolina

1304 Annapolis Drive
Raleigh, NC 27608

Telephone: (919) 821-4560
Fax: (919) 821-4564

61st Annual Meeting
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wages, worker compensation, union, labor delays at Homeland security department, and State Department, U.S. government agencies' investigations into N.C.G.A., and N.C.G.A. litigation.

According to Mr. Wicker, many congressional offices report immigration is the number one issue. Congress debated a complex comprehensive bill which sought a delicate balance between 5 key elements: 1.) Home land Security 2.) Employee Verification 3.) Employer Sanctions 4.) Guest Workers 5.) Future Immigration Priorities. Mr. Wicker believed the Immigration Bill would be left for a hotly debated presidential campaign issue.

Mr. Wicker addressed the Ag jobs Senate Bill S340. Mr. Wicker said, "I know our nation and leaders have the vision and wisdom to correct this complicated problem. Congress usually responds to whoever is making the most noise. So, for our childrens' sake and future of our nation, get involved."

Mr. Scott Ballin, a current member of the Steering Committee of the Alliance for Health, Economic and Agriculture Development, spoke on the issue FDA Regulations of Tobacco (Senate Bill S265 and House Bill HR1108). He believed the FDA legislation would be heard this year. He spoke on ways the legislation could be improved. Mr. Ballin stated, "Had Congress taken the time to hold some open hearings on tobacco issues, which they have not done up to this point, I believe a more workable, fair, and effective bill would have emerged upon introduction" Mr. Ballin's committee made the following recommendations to senators on Sen. Kennedy's committee:

- Suggested a careful review of the findings of the legislation, including a better integration between federal agencies.
- Suggested the purposes of the bill be changed to include the word fair and called for incentives specifically to be given to the

industry and growers for any changes that may take place.

- Adult tobacco users are fully and accurately informed about the risks, relative risks, and intended uses of all tobacco and nicotine products.

- Suggested some changes in the use of the word tobacco which currently is confined and narrow in the Bill.

- Suggested a role of tobacco production clarification is needed for authority (role) FDA will play directly or indirectly to activities on the farm.

- EPA and FDA need parallel and complementary authority on regulation of tobacco production.

- Consumer acceptability of tobacco products.

- Suggested revising the MAR production section which allows products to be marketed.

- Suggested adding additional voting members to the advisory committee to include experts in agronomy, Labeling and Marketing, and Farm Production.

- Suggested that there be an establishment of a nicotine and tobacco classification panel with 3 sub panels: 1st Panel - Combustible Products, 2nd Panel - Non-Combustible Products, 3rd Panel - Non-Combustible Therapeutic Products.

Mr. Ballin concluded, "Our goal has been and remains to reduce disease caused by tobacco products by advocating dialogue and discussion in a safe environment, finding that common ground between parties that will facilitate the achievement of those goals."

Mr. Albert Johnson, President of the Flue-Cured Tobacco Cooperative Stabilization Corporation Board of Directors, addressed the audience.

After welcoming the members and all the various people representing organizations and businesses within the tobacco industry, he began by listing the key accomplishments for fiscal year ending April 30, 2007.

- Stabilization remains the largest supplier of U.S. flue-cured tobacco to China for the third consecutive year. Sixty percent of the (continued on page 5)

Members' Reminders for the 2007 Marketing Season

The tobacco season is upon us. Stabilization wishes each of our members a good growing and harvesting season. We look forward to your visits and working with each other to make this season a successful marketing season. Below is a significant list of items for the current marketing season.

- FSA form 578 – you will need to provide this form prior to your first delivery of tobacco at the marketing center.
- Moisture Testing – we will test for moisture in your tobacco at the marketing center. The maximum tolerance is 18%. Any bale above 18% will be rejected.
- Non-Tobacco Related Material (Foreign Matter) – we ask that you keep your tobacco clean.
- Random Bale Search – we will randomly choose one of your bales to open at the Marketing Center. We will remove the wire and peel back sections with a forklift and look inside the bale.
- Slip Sheets and Wire – are available at the marketing centers. The slip sheets are \$2.50 per sheet and the wire is \$0.30 per piece.
- Cardboard Tags – we will issue tags to each grower. Pick up your tags at your assigned marketing center. Bundles of tags will be given to each grower to put on the bales. Three tags per bale, 2 on one side (side toward receiving line) and one tag on the adjacent side (side toward the scale house).

NEW DIRECTOR District 8

On Monday, April 30, 2007 at the Gov. James Martin building in Raleigh, Mr. Jimmy Franklin Crews Sr.

was nominated and elected to serve a three year term, representing District 8 on Stabilization's Board of Directors. Mr. Crews was born and raised in Oxford, NC and attended NC State University. He is a partner in Granville Farm Supply, Granville Warehouse, and CREWS BROTHERS FARM which produces tobacco, soybeans, and wheat.

Mr. Jimmy Crews is a member of the local BB&T Board of Directors. In 1998, he completed the Phillip Morris Agriculture Leadership Development Program. He has traveled abroad to represent North Carolina tobacco farmers in Brazil, Mexico, Denmark, Switzerland, and England. In 2006, he received the President's Award from the North Carolina Tobacco Growers Association.

Jimmy and his wife, Susan Saye Crews, reside in Granville County and have four children, Ginna, Jim, Katie, and William.

Mr. Crews replaces Mr. Jenks on the Board. Mr. Jenks served on Stabilization's board for 24 years and did not seek re-election.

1839 Update

Excitement is high at U.S. Flue-Cured Tobacco Growers, Inc. in Timberlake as the **1839** cigarette sales have begun.

Our **1839** cigarettes are currently in 140 stores, 76 in North Carolina, 20 in South Carolina, and 44 in Virginia. We currently have 3 wholesalers that carry our **1839** cigarettes and 12 wholesalers that carry our **1839 RYO** product. We are optimistic about having these wholesalers and our products in these stores, and know that these numbers will continue to grow due to the repeat sales and positive feedback we are experiencing with **1839** cigarettes and **1839 RYO**.

We have been able to distribute to retailers in North Carolina and South Carolina since July second. By having our distribution in place, we are now able to pre-book orders

from new retailers and deliver to these stores the following week. This has enabled us to maximize our sales team capabilities and service other accounts that become available. We have had 58 orders stores and have already had 4 reorders from the 58 since July 2, 2007.

We are very excited about our progress thus far and are eagerly looking forward to the success ahead. We have benefited by the efforts and work that everyone has done to make this **1839** product launch a success.

By maintaining our focus and continuing our hard work, we are confident that we will meet our goals.

FDA Tobacco Regulations Approved By Senate Panel

On August 1, 2007, the Health Education, labor and Pension senate committee approved bill S.265 (13-8) to give the Food and drug Administration authority to restrict tobacco advertising, regulate warning labels, remove hazardous ingredients, and set standards for tobacco products companies advertise as "reduced risk" products. the bill will allow the FDA to reduce the amount of nicotine in cigarettes. Under this bill, all clove cigarettes will be banned in the United States.

Sen. Richard Burr's several amendments were rejected by the panel. Sen. Kennedy said that Sen. Burr's amendments would undermine the legislation. After the hearing, Sen. Burr said he would not rule out trying to hold up the bill on the senate floor.

Sen. Enzi, the ranking Republican on the panel, opposes the legislation and has objected to Philip Morris's involvement. After the hearing, he stated, "If this bill is good for big *(continued on page 4)*

FDA Tobacco Regulations

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tobacco, how can it be good for public health? The fact is it can't. This bill is nothing more than a 'Marlboro Protection Act' written to keep Philip Morris at the top of the tobacco market."

Altria Group, Inc., the parent company of PM USA and PM International issued the following statement: "The company will continue to lend our full support to this process. We hope to work with all interested stakeholders to achieve the best legislation possible."

On July 18, 2007, President Bush stated he is opposed to bipartisan legislation that would allow the Food and Drug Administration to regulate the manufacturing, marketing, and sale of tobacco products, which would lead to stronger warning labels and limits on nicotine and other ingredients. President Bush said, "We've always said that nicotine is not a drug to be regulated under FDA." the Senate will consider this bill after they return from their August break.

The *SCOOP* will continue to follow this and other legislation that will have an impact on your livelihood.

The House and Senate Pass Children's Health Care Plan

On Wednesday, Aug. 1, 2007, the House passed the State Children's Health Insurance Program (SCHIP) bill H.R.3162 (225-204). The following day, the U.S. Senate passed their version; bill S.1893 (68-31) to extend the program.

What is the State Children's Health Insurance Program (SCHIP)? The program was enacted through the Balance Budget Act of 1997, (P.L.105-33), as Title XXI of the Social Security Act. Congress established SCHIP to make health care coverage available to low-income uninsured children whose family incomes are above state

Medicaid income eligibility standards. Under SCHIP, state governments are offered capped federal funds that can be used either to expand Medicaid or to finance coverage under a separate child health program. Also, states have the ability to use a combination of these two approaches. In 1997, the SCHIP federal budget was \$20 billion for the 5 year program.

The 10 year SCHIP program is set to expire on September 30, 2007. Currently, the program provides insurance for 6.6 million low-income children. An additional 3.3 million children will be covered under the Senate bill S.1893 and House bill H.R.3162. All 50 states, Washington D.C., and 5 territories of the United States are SCHIP program participants.

Who qualifies for the SCHIP program? Any adult who lives with an uninsured child and provides care for that child can apply. This includes grandparents, other relatives, legal guardians, adult brothers, or adult sisters. Depending on each state, parents', guardians', etc. salary must fall within 100% to 300% of the federal poverty line, which is \$10,210 per year.

The federal government is currently spending \$5 billion per year on the program. At that rate it would spend \$25 billion in the next 5 years. The Senate bill will provide an additional \$35 billion over 5 years, for a total of \$60 billion. The House bill will provide an additional \$50 billion, for a \$75 billion total.

How will Congress finance either version of the SCHIP bills? The Senate bill will raise the federal taxes on cigarettes by 61 cents per pack to one dollar. The current federal tax on cigarettes is 39 cents per pack. Also, it will raise the federal taxes on all other tobacco products. The House bill is twofold. First, the House bill will raise the federal taxes on cigarettes 45 cents per pack of cigarettes to 84 cents and raise the federal taxes on all other tobacco products. Second, the House bill has cuts in payments to private insurers in the Medicare Advantage program for the elderly.

What will this mean to the consumer of tobacco products? First, let's look at the House bill H.R.3162. The price of a pack of cigarettes will increase 45 cents or \$4.50 per carton, up 115.4 percent. The price of small cigars (packaged like cigarettes) will leap from 2 cents per pack to 84 cents per pack, up 4100 percent. Large cigars will move from 5 cents to \$1.00 per cigar, up 1900 percent. Snuff will increase from 58.5 cents to \$1.26, up 115.4 percent. Chewing tobacco will increase from 19.5 cents to 42 cents, up 115.4 percent. Roll Your Own (RYO) will increase from \$1.0969 to \$7.4667, up 580.7 percent. Pipe tobacco will increase from \$1.0969 to \$2.36, up 115 percent.

Now let's look at Senate bill S.1893 and its price impact on consumers of tobacco products. The price of a pack of cigarettes will increase from 39 cents to \$1.00 or \$6.10 per carton, up 156.4 percent. The price of small cigars (packaged like cigarettes) will be moved from 2 cents per pack to \$1.00 per pack, up 4900 percent. Large cigars will increase from 5 cents per cigar to \$10.00 per cigar, up a whopping 19,990 percent. Snuff will increase from 58.5 cents to \$1.50, up 156.4 percent. Chewing tobacco will increase from 19.5 cents to 50 cents, up 156.4 percent. Roll Your Own (RYO) will increase from \$1.0969 to \$8.8889, up 710.4 percent. Pipe tobacco will increase from \$1.0969 to \$2.8126, up 156.4 percent.

The tobacco consumer will bear the cost for the SCHIP program. Manufacturers know these substantial federal taxes will have a direct effect upon their tobacco product sales, volume, and profit margin.

The Senate and House must reconcile their differences before sending a final bill to President Bush sometime after the lawmakers return from the month long August recess.

President Bush has rejected entreaties by his Republican allies that he compromise with Democrats on legislation to renew SCHIP, saying that expanding the program would enlarge the role of the federal government at the expense of private insurance. President Bush stated, "I think it is going to be very important for our (continued on page 5)

Children's Health Care Plan

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allies on Capitol Hill to hear a strong, clear message from me that expansion of government in lieu of making the necessary changes to encourage a consumer-based product is not acceptable."

Whether Congress and the President can come to some type of compromise or the President will veto the SCHIP legislation, the *SCOOP* will keep our members informed.

61st Annual Report

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2006 crop was sold to China.

- First value added product, **1839 RYO** (Roll Your Own) launched in July, 2006.
- First Leadership Class for young farmers completed in February, 2007.
- First cooperative cigarette **1839** launched in May, 2007.

He stressed China's concerns for a reliable source of quality U. S. tobacco, but expressed China's confidence in Stabilization to address these issues. He indicated to the members, that China would be increasing U.S. FCV purchases. Also, China Tobacco personnel would be visiting tobacco farms to learn farming practices and the many issues facing the U.S. farmers.

He congratulated the young farmers for their participation in the Leadership Program. He emphasized the vital importance of the young farmer. He encouraged other young farmers to participate in future Stabilization leadership programs.

In closing, Johnson stated, "It has been the dream of many tobacco farmers to manufacture and sell their own tobacco products. For the members of this cooperative, the fulfillment of that dream is now a reality with the launch of the **1839** line of RYO (Roll Your Own) and cigarette products. We can only claim success once we have market share with these products. Market share is difficult to obtain in this very competitive business. However, members can rest assured that

Stabilization is taking all necessary measures in order to have a fair chance of success. Achieving profitability with consumer products can be slow and very expensive. If we are successful, the the benefits can be great for all of us. He then wished all farmers good luck for the growing season.

Arnold Hamm, General Manager of Flue-Cured Tobacco Cooperative Stabilization Corporation, gave a brief 2006 and upcoming 2007 Stabilization operations report. His key points are as follows:

- There have been significant changes in the marketing agreement; no longer an exclusive agreement and non-exclusive agreement.
- Stabilization has contracted 55 million pounds of flue-cured tobacco for the 2007 crop.
- Greater emphasis on Non-Tobacco Related Material (NTRM) or foreign matter.
- Greater emphasis on moisture contained in members' bales; moisture is not to exceed 18 percent.
- There will be 9 marketing centers for the 2007 flue-cured tobacco season.
- Current World Market conditions favor exportation of U.S. tobacco (weak dollar against foreign currencies).
- Stabilization has sold approximately 90,500,000 pounds in the time period March, 2005 through April 30, 2007.

Hamm summerized, "This is all about the tobacco that can be produced and sold. Through cooperative efforts, value returns, and Stabilization members, Stabilization is committed to maintaining a viable tobacco farming community."

As for U.S. Flue-Cured Tobacco Growers, Hamm stated, "U.S. Flue-Cured Tobacco Growers is the keystone of Stabilization's consolidated operations. In moving forward, this is where the opportunities exist to enhance the value of members' tobacco. there are three businesses under one roof. The Stemmer operation is the thrashing of tobacco, resulting in tobacco strips and by-products. Stabilization is in the process of making significant

upgrades for the 2007 season to provide customers with the latest technology and ensuring customers of high quality products and taking advantage of improved efficiencies. The Make Pack operation is the making of cigarette products for our customers and ourselves. The Primary operation is for selling cut rag for cigarette production."

Hamm continued, "Tobacco Growers Services has been a subsidiary of Stabilization since 1968. It is located in Fuquay-Varina and comprised of twenty-four storages. The storage capacity is approximately 100 million pounds of tobacco and tobacco by-products. It plays a significant role in everyday operations and a focal point in all consolidated operations."

In conclusion, Hamm stated, "This facet of your business is complicated, bureaucratic, and convoluted. The MSA and TTB issues are complicated and require careful attention and a tremendous amount of work. Also, as Scott Ballin pointed out, the potential for FDA regulation of tobacco products bears close scrutiny."

Mr. Richard Jenks received a Service Award plaque from Albert Johnson. Mr. Jenks represented District 8 on the Board of Directors for 24 years. He did not seek re-election.

