

Both Sides of the Coin: An Uncommon Meeting about Tobacco

Karen Mundy and Wayne Purcell

"I'm a health educator and I didn't tell my tobacco producing family what this conference was about. My sister asked where I was going and when I told her, she wanted to know if I was trying to put them out of business."

An unusual conference was held in Roanoke September 24-26. Called "Tobacco and Health Symposium: Both Sides of the Coin," the conference was sponsored by several health advocate groups, the Virginia Tobacco Communities Project at the University of Virginia, and REAP. States targeted were Virginia, North Carolina, South Carolina, Georgia, Tennessee, and Kentucky. The intent was to bring health advocates and tobacco growers together to find some common ground.

There was heated, sometimes biting and sarcastic, discussion, but there was also a somewhat surprising amount of common ground identified. Much of the "coming together" was promoted by information that came as a surprise to one or both of the contingents. New information, plus a universal desire to do something about access to tobacco by those under 18, became catalysts for changed mind-sets as the conference proceeded. It may be that these "information bytes" will lead to joint action to ensure the quality of life in rural communities by two historically adversarial groups.

"I thought the tobacco farmer was making out like a bandit."

Representatives of the health community were surprised to learn tobacco farmers get only about 3 percent of the consumer's tobacco dollar. While the tobacco farmer does not actually make the cigarettes, most participants understood that farmers have been, and are involved in,

several of the functions that make up the final consumer-level product. If farmers make a major contribution, then they are expected to get a significant share of the consumer's dollar—but they do not. The fact is, it is the manufacturer that got 50 percent of the tobacco dollar in 1992, compared to 37 percent in 1980 (Figure 1). This eye-opening statistic changed some attitudes.

The value of this new knowledge is apparent: health advocates start to see the economic pressure the farmer is facing and better understand why farmers are concerned and apprehensive. A new attitude on this issue does not solve the problems, but it becomes a possible building block for joint efforts and actions.

"Maybe the health community needs to support keeping the tobacco program in place."

Learning that the quota system and the related price support program is financed by producers and is, essentially, "no-cost" to the taxpayers, health advocates started to consider the possibility they also might want to support continuance of the program. To the producer, the quota system controls production, keeps prices up, and stabilizes the market. The program has brought stability to farmers and to the communities in which they live at no cost to other taxpayers. But to health advocates, the program has been seen as a way of continuing production of a crop they do not like. They had not considered the possibility that the program is restricting supply and decreasing consumption by keeping consumer level prices up.

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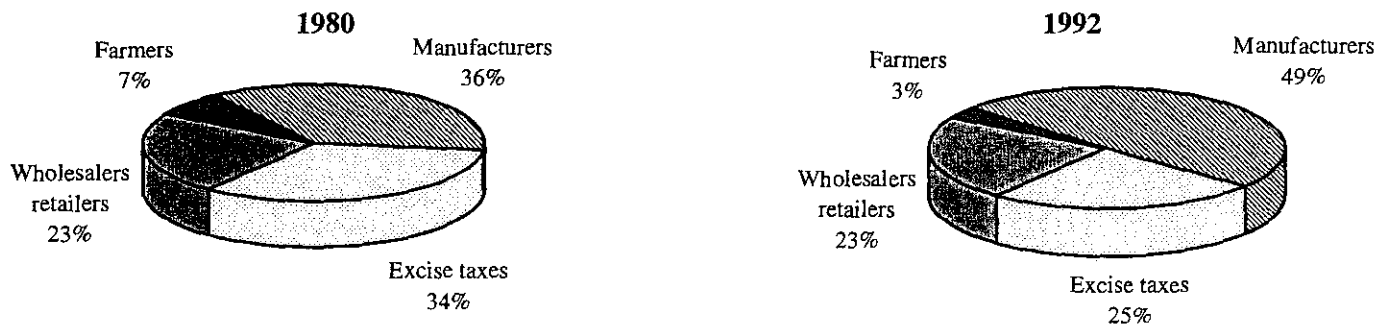


Figure 1. Where the Consumer's Tobacco Dollar Goes.

Source: Grise, Verner. "The Changing Tobacco User's Dollar," *Tobacco Situation and Outlook Report*. USDA, 1992.

Tobacco is the top crop in Virginia. It accounts for about \$160 million of the \$2 billion in farm receipts. A REAP study of the economic impact in a 6-county Southside region shows tobacco alone generates 11 percent of the economic activity and 6 percent of the employment. Tobacco is under siege from all sides. Attitudes in the United States are changing, more restrictive regulations are being discussed, and competition for a still growing export market is intensifying. Changes leading to adjustments in Virginia's producing regions appear to be inevitable and imminent.

If the program were eliminated, the assumption is that production would increase and prices would come down—encouraging increased consumption. Basic economics suggest this assumption is valid. The world market for tobacco products is growing in contrast to decreasing consumption in the United States. American producers with large tobacco acreage, able to cover costs at prices well below the price support levels of recent years, would be likely to increase production if the program were eliminated. Reflecting on this, some health advocates started to discuss the possibility that they should join with the vast majority of producers in working to keep the quota system in place—and it is, many would agree, in jeopardy.

"That price decrease probably wiped out years of effort to cut teen smoking."

Whatever the reasons, tobacco manufacturers cut the wholesale price of cigarettes 25 percent in August 1993. Most of the price decline was passed on to the consumer. Consumption responds to price changes. The consensus of the research community is that a 10 percent decrease in price would prompt an increase of 4 percent in consumption, other factors staying the same. These studies further indicate that, for teens, a 10 percent decrease in price will lead to an 8 percent increase in consumption.

This information raises the specter of the 25 percent price decrease prompting as much as a 20 percent increase in use among those 17 and younger. This possibility bridges some gaps and raises the question of whether more attention should be paid to pricing practices in an industry where the four largest firms dominate.

Both groups were startled by the realization that the price decreases by manufacturers in August of 1993 could have wiped out hard-earned gains in educational programs and advocacy against teen smoking. The health community has pushed hard on programs to limit smoking by those under 18, arguing that many adult smokers would not have started after the age of 18 or 21. Surveys tend to support the argument, and producer advocates are quick to agree that they do not want their sons and daughters to smoke, nor do they want to see them have easy access to tobacco products.

"They will just put the plants in other countries and then ship back to our markets—and at lower prices."

Some discussants understood that the real threat to tobacco farmers is world competition, but most were surprised at the magnitude of the threat and the multiple faces it presents.

That tobacco can be produced in African and South American countries cheaper than in the United States is fairly widely known, but many had not thought about what this means, longer term, to investments by manufacturers. United States companies are doing the predictable: as for-profit companies, they are looking for lower cost tobacco. If prices are to be supported in the United States, then the manufacturers will consider locating new capacity in other producing countries—especially since the growing demand is outside the United States, primarily in the Pacific Rim countries. Producers were shaken by this growing realization, but the health advocates hopes were not spared either as they started to recognize the possibility of lower

priced imported tobacco products in the future. This "surprise," in terms of more detailed understanding, is sure to raise the interest of both groups when it comes to trade policies.

"What am I supposed to do when you put me out of business?"

Yet another realization came to the health advocates: tobacco production is the major source of income for many farmers in the six states involved in the symposium. Not only does it provide income to the farmer, it helps sustain the rural communities in the tobacco-producing areas. It is a "way of life" for many, especially those whose grandparents and great-grandparents were involved with tobacco production. Both sides recognized that tobacco may be a costly health hazard. But the health hazard is not just to people. Recognition that it is entire communities which would suffer was a new perspective for many members of the health advocacy contingent. The demise of rural communities impacts everyone. If the communities cannot support themselves, the rest of the state "foots the bill" and the quality of life will still deteriorate.

Another realization, a "surprise" to many of the health advocates, is that one cannot just say to a tobacco farmer, "Go grow something else—broccoli, for example." Equipment is not be the same. Production skills are not the same. And, more important, even if the tobacco farmer could produce broccoli, where is he going to sell it? Most alternative crops to tobacco do not generate as much net income. The consensus seems to be that other enterprises are not in place of, but in addition to tobacco, at least for the near future and that the talk should be of *supplemental* enterprises rather than *alternative* enterprises.

"And where does that leave us?"

The decade ahead is likely to be one of change and will be filled with many hard choices for the tobacco [farmer]. The way in which [he] reacts to these changes, and the choices [he] makes, will affect many people. It will take wise leadership and intelligent action both on the part of government and [the farmer] to meet these challenges. (Stovall, p. 12)

Those words were written in 1972 and producer and health advocates are now finally beginning to build bridges. The

conference was a start to find common ground on which to work. Overwhelmingly, this common ground is to reduce the access to tobacco by those under 18. Nobody wants to see teenagers start to use tobacco products, and manufacturers need to get involved on this issue, too. There was also enthusiastic agreement for the need to invest in the farming communities where tobacco is the primary crop. Everyone has a stake in the economic well-being and quality of life in rural communities. There needs to be more talk and movement toward joint programs as agreement on some key issues grows.

Bibliography

Grise, Verner N. "The Changing Tobacco User's Dollar," *Tobacco Situation and Outlook Report*. USDA, TS-219, June 1992.

Stovall, John C. "An Overview of Social and Economic Issues Confronting the Tobacco Industry in the Seventies," A. Frand Bordeaux, Jr. and Russell H. Brannon, eds. *Social and Economic Issues Confronting the Tobacco Industry in the Seventies*. Lexington, Kentucky: University of Kentucky, 1972.

NOTICES

****November 15, Williamsburg: Virginia Farmers Adjusting to the 1996 Farm Bill.** Plan to attend this important conference. Brochures with registration forms should be available from local Extension offices or call the REAP office at (540) 231-9443 or email reap01@vt.edu.

****The Tobacco Trap**, a 15 minute video about the plight of tobacco farmers and their relationship with tobacco manufacturers is available from American Heart Association, Office of Communications and Public Advocacy, 7272 Greenville Ave., Dallas, TX 75231-4596. Call (214) 706-1345 for an order form. Cost is \$3.84

****Potential Changes Facing Virginia Tobacco Producers**, a policy paper available from REAP.

****HOW TO REACH US:** REAP, Department of Agricultural and Applied Economics, 0401, Virginia Tech, Blacksburg, VA 24061; telephone: (540) 231-9443; fax (540) 231-7417; email reap01@vt.edu; or on the WWW <http://www.reap.vt.edu/reap/reap.htm>

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