

# U.S. TOBACCO COOPERATIVE SCOOP...

A newsletter from  
U.S. Tobacco Cooperative  
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## U.S. TOBACCO COOPERATIVE HOLDS 64<sup>TH</sup> ANNUAL MEETING

On Thursday, November 11, 2010, US Tobacco Cooperative held its sixty-fourth Annual Meeting, in the Holshouser Building at the N.C. State Fairgrounds. Mr. Jimmy Hill opened the meeting with the invocation. Chairman Albert Johnson recognized and honored all the veterans in attendance for their service to our country.

North Carolina Department of Agriculture's Dr. Richard Reich was introduced by Chairman Johnson. Dr. Reich holds academic degrees from N.C. State University. Dr. Reich's speech could be characterized as "A Message from the N. C. Commissioner of Agriculture". Dr. Reich stated Commissioner Troxler had led two international marketing trips to lay the foundation for more trade. In August, 2009, Commissioner Troxler led his marketing team on a very successful trip to China. Commissioner Troxler is confident that the continued development and relationship with China will benefit all U.S. tobacco growers in the future.

This past summer, the N.C. Commissioner of Agriculture led a team to Europe. The Commissioner met with key leadership members and leaf purchasers for European cigarette manufacturing companies to strengthen the relationship with them. The



**Chairman Albert Johnson addresses Cooperative members at Annual Meeting**

Commissioner's delegation met with Philip Morris International, Japan Tobacco International, and Imperial Tobacco Company. The delegation learned from these meetings that U.S. tobacco demand from Philip Morris International will likely decline. We will see increased volume support for U.S. tobacco by JTI and Imperial and the manufacturers were supportive of the Commissioner's GAP (Good Agriculture Practices) policy. Dr. Reich added, "Tobacco growers must be flexible to the new demands of the ever changing marketplace." The NCDA was and will continue to monitor foreign trade agreements that may affect the demand for U.S. tobacco overseas. Dr. Reich stated, "NCDA needs the farmers' help concerning legislative matters and farm management practices to ensure quality and quantities to purchasers of U.S. tobacco for the future." At home,

the NCDA was working to finalize the North Carolina Good Agriculture Practices guidelines for tobacco, to ensure the continued quality of our product in the global marketplace. Dr. Reich assured the audience that Commissioner Troxler and the NCDA are doing all they can to promote U.S. / North Carolina tobacco sales around the world.

In closing, Dr. Reich informed the members that Commissioner Troxler was Chairman of the Tobacco Task Force for the National Association of States Department of Agriculture. The states' commissioners meet twice per year usually in February and in September. Commissioner Troxler had introduced legislation, representing the Southern Association of States, opposing the Canadian C-32 law. The C-32 law bans all non-characterizing flavors as additives to tobacco in cigarettes. Dr. (continued on page 2)

U. S. Tobacco Cooperative Inc. is the grower owned and supported cooperative that serves flue-cured tobacco growers in Virginia, North Carolina, South Carolina, Georgia, Alabama and Florida.

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Reich, said, "It would have a profound negative effect on the burley tobacco producers." Another area Commissioner Troxler worked on was the Doggett amendment. Dr. Reich stated, "The Commissioner wanted to assure that the USDA would have the opportunity to support trade and marketing efforts for all commodities and when we say all commodities that means tobacco."

The Honorable Robin Tallon, a former South Carolina congressional representative and currently a member of the Jenkins-Hill consulting firm in Washington, DC was introduced. Mr. Tallon believes the recent change in Congress will be a good thing. It will be an opportunity to forge new relationships with the new Congress. "Times in Washington, D.C. are difficult and a recent report quoted U.S. debt at 14 trillion dollars," said Mr. Tallon. Mr. Tallon indicated that with the economy the way it is that the upcoming Farm Bill will have new cuts. Congressman Frank Lucas will chair the Agriculture Committee. He is from the Midwest which means he could side with the mid-western producers. Crop insurance will be an issue Mr. Tallon's firm will watch. Mr. Tallon advised the young tobacco producer to stay in the tobacco producing business, though there seems to be a mixed message.



**U.S. Tobacco Co-op members and guests listen to guest at Annual Meeting.**

Dr. Blake Brown was introduced as the next speaker. Dr. Brown is a N.C. State alumnus and has extensive flue-cured tobacco economic knowledge. He was instrumental with the buy-out, providing economic data to legislative members and to the Cooperative Board.



**U.S. Tobacco Co-op Board members listen intently to guests at Annual Meeting.**

Dr. Brown began with stating this year's flue-cured tobacco crop estimate at 448 million pounds. North Carolina's flue-cured tobacco was estimated at 347 million pounds. He said Brazil was the U.S.A.'s largest flue cured tobacco competitor and that since the buy-out; the two countries' production has been around the 1.8 billion pound mark. The manufacturers have been satisfied with this quantity; however, Dr. Brown said there could be a trend of manufacturers going to undeveloped countries versus developed countries.

Dr. Brown said the U.S. flue cured tobacco exports were up. He believed there are two reasons for the increase in exports. The first factor was lower prices due to deregulation. The second factor was that the favorable monetary exchange rate or weak U.S. dollar has been good for exports.

On the subject of U.S. flue-cured tobacco contracts and prices, Dr. Brown said he receives his information from growers and county agents. Also, the USDA's NASS was the statistical arm of the USDA and at some point in the future, the 2010 flue-cured average price would be posted. The 2009 flue-cured tobacco average price was \$1.749 per pound. Based on information provided

to him from growers he believed the average 2010 price will be lower due to growing conditions yielding lower quality flue cured tobacco. Also, an approximate 20 percent reduction in company contract volume did not equate to a 20 percent reduction in pounds produced by the growers. A combination of excess production along with spotty (continued on page 3)

quality has led to the reduction of 2010 prices, said Dr. Brown.

An interesting aspect of the industry that developed in 2010 was the secondary contract market system. It is apparent there is now a two tier price market system. Dr. Brown compared it to the peanut market system. Peanut farmers tended to grow more volumes of peanuts in order to meet their company contract obligations, but normally had excess peanuts left over. Dr. Brown sees the same philosophy in meeting flue cured tobacco contracts.

Dr. Brown believes the following factors would affect flue-cured demand for 2011. They are:

- The U.S. monetary exchange rate will remain favorable for exports, plus the U.S. dollar has declined in value more than the Brazilian real.
- Smoking restrictions have had an impact on tobacco consumption in the U.S., Europe, and Asia.
- Increased taxes on tobacco products have had an impact on tobacco consumption worldwide.
- The FDA regulating tobacco products.
- The WHO (World Health Organization) is an important organization to watch because their policies could affect world tobacco production.

Mr. Keith Canning was the next speaker. He is an owner of Pine State Trading Company. Pine State Trading Company is a distributing company which delivers products to various types of stores in New England states. Through a PowerPoint presentation, Mr. Canning showed many **1839** product line displays in various stores throughout New England. Mr. Canning had high praise for Mr. Jimmy Barefoot and his sales staff for the promotion of the **1839** product lines.

Chairman Albert Johnson approached the podium to deliver his annual report to the members. He began by stating the board had received many member inquiries as to how the 2010 crop would impact the member's individual grade average and evaluation. Mr. Johnson assured the members that he and the members' elected board would be fair in its review

of the 2010's quality and setting policy for the 2011 contracts. Crop throw is another subject that has spurred many members' questions to board members, said Mr. Johnson. Mr. Johnson explained, "Our crop throw assigns an average expectation of production for each stalk position for same grades. We will limit the percentage of leaf that can be delivered in stalk positions and grades that do not have a market. A reason for the crop throw is to prevent an entire contract to be filled with one stalk position of low quality. Another valuable reason for the crop throw is to control Co-op's inventory that is less competitive in the world's market." It is not meant to be a punishment, but it is a necessity and as more markets become available, then the crop throw could be minimized. Another concern from members dealt with the subject of Sales Agreement contracts. The Chairman explained by stating, "Sales Agreements are used to supplement our customers' demands on short notice and we will continue to use them in the future."

Prior to the marketing centers opening, Co-op meetings were held at



**Georgia delegation well represented at the Annual Meeting.**

or near each marketing center to discuss tolerance levels for MH, pesticides, and nitrosamine. Mr. Johnson said he had attended two of the four meetings and praised and thanked all cooperative members for the huge numbers that attended each meeting.

Chairman Johnson turned his attention to the Cooperative's concerns with the FDA's Tobacco Product



**U.S. Tobacco Co-op President Tommy Bunn addresses members and guests.**

Scientific Advisory committee. The committee was seated last winter. Mr. Johnson hoped the committee would study the facts and not make any decisions based on personal beliefs. Menthol, as a characterizing flavor, added to cigarettes was being reviewed by the TPSA. It would be important to follow and rationalize the recommendations that would be rendered by the TPSA committee. Finally, the status of the non-voting TPSA members was a concern because those members had not been allowed to or had limited access or input to the committee on various issues.



**Chairman Johnson recognizes Mrs. Diane Wattenbarger's 25 years of Cooperative service.**

President Tommy Bunn addressed the audience. He said it was a privilege, along with staff, to work for US Tobacco Cooperative. He said, "It is our business to keep you in business and that is our challenge each day." Mr. Bunn reviewed the financial report. He (continued on page 4)



**Ms. Peggy Crowe retires after 20 years of service with U.S. Tobacco Cooperative.**

concluded by recognizing the board members, growers, members of various state agencies, companies, farming organizations, and staff members.

Chairman Albert Johnson concluded the annual meeting by recognizing two U.S. Tobacco Cooperative employees. Mrs. Diane Wattenbarger has worked as a bookkeeper since July 29, 1985. Her attention to detail and accuracy has made her a valuable and well respected employee. Mrs. Wattenbarger received a 25 year service award from Mr. Johnson. Next, Ms. Peggy Crowe was recognized for her 20 years of service

with U.S. Tobacco Cooperative. She began in 1990 and had worked with four CEOs and three board chairmen. Ms. Crowe served the Cooperative as Executive Assistant to the President. Some of her duties were board minutes, organizing annual meetings, travel arrangements, and organizing luncheons. Ms. Crowe was a true professional and will be missed. Mr. Johnson wished her well in her retirement. After a brief address by both ladies to the audience, door prizes were awarded and lunch was served.

**The U.S.  
Tobacco  
Cooperative  
Board of  
Directors and  
Staff wish  
each of our  
members a  
Happy and  
Prosperous  
New Year**

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