



TGANC 37th Annual Meeting

Perseverance

February 2, 2018

10:00 A.M.

Holshouser Building

NC State Fairgrounds

Agenda - 2018 Annual Report



Call to Order

President Clay Strickland



Business Session

Adoption of Resolutions

Budget Report

Nomination of Directors

Recognize Retiring Directors

Special Presentations



Awards Presentations

Extension Service Award – Hannah Burrack, NC State

TGANC Outstanding Director – Tim Yarbrough, Caswell County

Farm Family of the Year – Rouse Ivey Family Farms, Duplin County

Lifetime Century Member – Dr. Richard Reich

Distinguished Service Award – Ray Starling, Office of the President

Special Recognition – Graduates of the SUCCEED Leadership Programs



Keynote Topics and Speakers:

Changes to the Tobacco Economy: Dr. Blake Brown, Economists, NC State University

NC Agricultural Update: The Honorable Steve Troxler, Commissioner of Agriculture

Congressional Update: The Honorable Bob Goodlatte, US Congressional 6th District VA

An Industry Perspective: Mauri Winegardner, VP Operations, Universal Leaf



Announcements and Prize Drawings

Adjourn for Lunch

GAP Training to Follow Lunch in same location

President's Message – Perseverance



Clay Strickland - TGANC President

Our industry faces constant changes and numerous challenges. Farming is the perpetual business of risk and chance. As we search for the theme to describe our outlook for the 2018 season it is best influenced by the season we just completed.

Once again in 2017 the weather was difficult early in the season and often as the year endured. For most of us too much rainfall took a toll on the crop. Our marketing statistics suggest NC marketed 320 million pounds of flue-cured. We estimate that 163,000 acres were planted. This would suggest the average crop yield was about 1,950 pounds. Far short of the target range to observe successful and encouraging returns per acre. A \$2 per pound average on 1,950 pounds doesn't meet a generally agreed cost of production of \$4,000 per acre.

The dictionary defines "per-se-ver-ance" as a NOUN, meaning "steadfastness in doing something despite difficulty or delay in achieving success". It is scary how much that captures the opinion of nearly every grower I speak with regarding both the crop passed and the anticipation of another about to get underway.

In less than one month from today most of us will have completed the tasks of seeding greenhouses for the next crop. While at the same time a disturbing number of us may not have finished paying the total costs associated with the 2017 crop. Add to this, news of a third consecutive year of reductions in contracts and we find ourselves in very sobering times.

Yet we search for the motivation to persevere because that is the monochrome of being a farmer. A type of focus that looks forward with precision. Hard work and determination are strong words that define most farmers. Optimism is another appropriate word given the factors in the business that reside outside our control such as weather, market prices and currency exchange rates to name a few.

As 2018 takes off we have no choice but welcome it with an attitude of perseverance. To embrace our opportunities using our experience and resources to achieve maximum results. During my two-years as your president I have observed just such determination from lots of growers. It is the commitment to excellence through hard work and perseverance from so many good farmers that has inspired me to give 100% of my efforts to being the best advocate and representative for them and our association.

In 24 months we tackled more issues than I would have expected. We also made progress and scored results that best served our interests. Examples include stopping the TPP that left out tobacco and pushing back on critics that falsely accuse us on labor issues. Labor concerns will again dominate our energies in 2018. The need to achieve meaningful guest worker reform and wage formula relief is critical to our near-term survival as farm owner/operators. On this and every other important topic I can assure you that TGANC will persevere on your behalf. Thank you.

2017 The Year in Review – By Graham Boyd Executive Vice President

As a component of our association report to the membership we reflect on the areas of engagement for TGANC in 2017. It is critical that TGANC work hard to be a strong advocate and representative for its farmer members on a diverse number of fronts.

The following are some key highlights of topics, event and issues we have worked on in the past year.

Farm Labor Practices Group: (FLPG): This is the group of cross section industry and advocacy organizations that is assembling to hold meaningful dialog about the identified topics of concerns. It is a diverse assembly that accounts for most of the tobacco companies and leaf dealers. It also includes FLOC and some faith-based organizations concerned about farm workers. TGANC and NC Agribusiness Council are members to make sure the farm voice is in the room. Also, NC Farm Bureau, while not a member, does participate. The Department of Labor attends in a resource information role.

The group has made progress towards establishing suggested outlines of topics like youth employment, the truth about child labor and understanding how and why such circumstances could occur. It has also invested a great deal of time towards the subject of a grievance mechanism for all farm employees.

GAP Connections: The governing body for GAP is largely comprised of tobacco companies. TGANC is an associate member of GAPC since it was formerly organized. This membership enables TGANC to be present in the policy actions of GAPC. This means farmers have a voice in the room. In addition, there is one flue-cured elected representative to the GAPC board, who is also a NC grower. Together and along with the elected representative from burley tobacco, these individuals have worked hard to represent the concerns and views of the farmers.

There remain constructive opportunities for GAPC to respond to grower's ideas and expectations. TGANC constantly works to convey items such as a more streamline approach to assessments, single farm visits, equal to all growers, and making sure GAP has value to growers.

Let us be fair, GAP has achieved some benefits. We still only attend one training session. There is a better and consistent barn testing protocol. It has afforded our customers the facts to back up our claims of high quality and compliance in terms of production standards. We will continue to work towards ways to seek improvements.

H2A Guest Worker Reform: This has been heavily discussed in the GAP meetings across the state as part of the TGANC presentation. Given an AEWR of \$11.46 in NC this coming year we find ourselves about to be priced out of the world market due to high wages driving up the costs of our tobacco. The only opportunity at present is the AG Act which is legislation introduced by Representative Bob Goodlatte from VA.

The AG Act has passed committee and awaits action by the full House. There are many positive opportunities in the legislative approach. The primary one is that it restructures the wage formula. Other interests include moving the program under USDA, no transportation costs, no housing cost and reducing the bureaucracy of the program.

EPA Product Registrations: TGANC continues to participate in stakeholder efforts to support fair treatment of products and formulations that are safe for use in tobacco. This year some neonicotinoid products provided by Syngenta, Bayer CropScience and Valent are being challenged regarding the registration review in 2019. Insect control is vital for the farmers to achieve production success. TGANC is working to convey the economic importance of these available materials and products to EPA.

Tobacco Foundation and NC Tobacco Research Commission: TGANC remains very active in the support of research and development with our land grant universities. We are appreciative of the valuable information being derived from these efforts. Our representatives help govern these organizations and collectively approve many dozens of projects for funding.

Industry Communications: Again in 2017 TGANC leaders met with industry officials to express and advocate for the best possible marketing conditions. This includes describing farm level concerns such as increasing production costs to describing opinions about how the crop is being graded and sold.

Promotion at the NC State Fair: 2017 marked the third consecutive year that TGANC has sponsored the tobacco hands/bundles contest. This year we received over 40 entries. Our thanks to Commissioner Troxler for his ongoing commitment to help promote our tobacco heritage and our future. Tens of thousands of visitors attending the State Fair enjoy the opportunity to learn more about the crop in terms of its history and its economic impact.

Tobacco Day: TGANC again provided the "Growers Perspective" at the annual NC State Tobacco Day. We appreciate the opportunity to express the points of interests on behalf of the farmers.

Media Engagement: Most often tobacco is cast in a negative way by the news. Again in 2017 we participated in dozens of media interviews, both print and TV. One of the most important task that we take very seriously is the need to represent farmers in these forums and tell the truth about our crop.

TGANC 2018 Proposed Resolutions

Proposed for Approval at Annual Meeting, February 2, 2018

We believe tobacco production to be essential to the economy and well-being of the people of North Carolina. We further recognize that tobacco plays a vital role in the economy of the United States. In the interest of preserving that contribution, we offer the following resolutions:

By Category and new or modified are indicated by BOLD type.

Production and Marketing

1. We call upon the industry to treat every farmer with dignity and respect regardless of the size and scope of their operation or its geographical location.
2. We call upon tobacco companies that contract with growers to continue to develop policies and practices that are fair and inclusive of all growers with regards to the economic welfare of tobacco producers as a whole.
3. **Size of Crop – We are concerned that the US crop is approaching an all time low when measured in planted acres. We call on the domestic and export buyers to be aware of the economy of scale and risks associated with steady decline in acres that may have irreparable harm.**
4. We oppose multi-tier contract conditions and markets that do not publish a retail price for tobacco that reflects its market value.
5. We request that NCDA continue working to devise a method to forecast intended planting and actual planted acres of tobacco for each current crop year.
6. We support the Plant Industry Division of the North Carolina Department of Agriculture in maintaining its “Apparent Freedom” status of enforcing those regulations relative to requiring zero (0) tolerance of any pest on any agricultural, horticultural, floral, or nursery plants imported to North Carolina.
7. We support tobacco growers and purchasers to collectively develop strategies, systems, and procedures that will enhance the integrity and quality of flue-cured and burley tobacco and reduce the cost of marketing.
8. Observing the increasing markets for liquid nicotine we support having U.S. grown tobacco as the source for such materials.
9. Any transgenic tobacco for commercial production should not be planted in such a way that it creates a risk for cross-contamination with conventional.
10. We presently oppose the commercialization of tobacco cultivars for traditional uses whose genetic makeup has been modified with non-tobacco genes. We feel that such cultivars should be limited to controlled experimental situations and restricted from entering the commercial trade until such tobacco has been accepted in general commercial usage.
11. **Restriction of use or elimination of crop protection products– We call on the industry to support research, development and use of crop protection agents that are essential to Best Management Practices and overall crop yield success.**

Labor and Workforce:

12. **Goodlatte AG Act– We applaud and support the leadership of Rep Goodlatte and his legislative efforts to advance the AG Act.**
13. **AERW- Solutions for streamline the wage rate formula are critical to achieving an affordable labor force and we support legislative or administrative resolve.**
14. Recognizing that North Carolina is a “right-to-work” state, we oppose any regulations or sanctions that would cite labor union membership as a absolute requirement for any agricultural laborer, regardless of that workers citizenship status.
15. We understand and support workers rights and regard the employees of the family farm as critical to the operations success.
16. We implore all commodity groups and the tobacco leadership groups and governmental entities to come together with commitment and support to resolve the farm worker labor concerns that impact the livelihood of the farm families in North Carolina, including comprehensive immigration reform.
17. We encourage all farmers to understand and adhere to the requirements of the Fair Labor Standards Act in regards to lawful employment of any person working on a farm.
18. **We remain opposed to the employment of persons (with exceptions for members of the farm family), under the age of 16 working in tobacco production in the United States and abroad. We further call upon the industry to hold the world markets to the same standards.**
19. **We support and call upon the USDOL to review the protocols used to determine the Adverse Effect Wage Rate (AEWR) and the need for a wage formula correction more in line with prevailing wages.**

Trade and Export:

20. We oppose detrimental federal intervention, lawsuits and other unwarranted attacks on a legal industry. We recognize that tobacco is a legal commodity representing an extremely large amount of international trade; therefore we insist that all agencies and individuals representing the United States in any area of trade be allowed to promote the high quality, comparative value of U.S. tobacco, including fair treatment in all trade agreements.
21. **We oppose any efforts to unfairly target, designated differently, or omit tobacco, a legal commodity from future trade agreement negotiations.**
22. We are categorically opposed to any trade agreement present in force or being considered in the future that does not include any and all legally grown U.S. agricultural commodities.
23. **We support a full review of the Tariff Rate Quota (TRQ) formula and any implementation of corrective measures to make it effective with the global market and import/export trade circumstances that will benefit U.S farmers.**

Policy and Regulatory:

24. **Proposed USTC Settlement(s) – The expense and negative impacts of the ongoing lawsuits are adverse to the success of the USTC to serve members and support the overall industry moving forward. We encourage all parties involved to reach meaningful solutions and bring litigation to an end.**
25. We request that the USDA-FSA and USDA-NRCS be more sensitive to the need for a more common sense approach to the enforcement of rules as stated in the Foods Securities Act of 1985, i.e. Sodbuster, Wetlands, and Conservation Compliance. We further request that said rules be interpreted uniformly on a county-by-county basis and that penalties be applied on each individual tract basis.
26. We request that the Environmental Protection Agency and the FDA refrain from acting in a discriminatory manner with respect to the approval for labeling of pesticides for use on tobacco.
27. **We maintain that all lending practices of the Agricultural Credit Division of the Farm Service Agency be fair, equitable, and timely to all applicants.**
28. We support individual property rights for all agricultural enterprises, provided they meet all County, State, and Federal regulations.
29. We oppose any future increase in the state or federal excise tax on tobacco products.
30. We further recommend that our Association and other tobacco supportive organizations continue to publicize the economic benefits of tobacco to our nation’s policy makers in terms of jobs and tax revenue.
31. We are opposed to additional legislation and regulation that would restrict when and where adults choose to smoke. We implore all tobacco interest and tobacco communities to come together with commitment and support to solve the issues and problems that threaten the economic contributions of tobacco to our state, our nation and our growers.
32. We are opposed to the use of any tax dollars being allocated to any agency whose agenda is aimed toward the detriment of the tobacco industry.
33. We strongly urge the NC Legislature to restore full funding to the Tobacco Trust Fund Commission for future years.

Extension and Research:

34. We applaud and support the continued efforts of North Carolina State University, Extension Research Service and NCDA for managing and directing an appropriate research programs and Research Stations that enhance the profitability of growing and marketing tobacco.
35. We support the completion and full funding of the W.K. Collins Agronomy Endowment to provide for at least two permanent tobacco specific positions at NC State University.
36. We applaud the Tobacco Industry and related agribusiness for cooperating in the development of research programs and providing financial support for tobacco research.
37. **Heat not Burn/FDA – We support FDA approval of technology advancements that provide consumers with diverse product choices and create products that can be proven to reduce risk/harm.**
38. We further support FDA approval of technologies that stipulate manufacturing in the United States and using maximum quantity of US grown leaf.
- 39.
40. We request that the North Carolina General Assembly provide the necessary funding support for the N.C. Department of Agriculture to serve the citizens of our state.
41. We request the North Carolina General Assembly recognize the economic value of budgeting research funds for tobacco and stipulate that funding provided for the Academic, Extension and Research Budgets of the College of Agriculture at NC State University be used for such designated purposes.
42. We are concerned that essentially no new funds are allocated by the Agricultural Research Service of USDA for tobacco research. We believe this is discriminatory to tobacco farmers and specifically request that additional funds be allocated for regional research on tobacco based upon the enormous tax contribution this industry makes to our governmental budgets. This is especially true as we continue to await FDA regulatory authority.
43. We applaud the GoldenLeaf Foundation for its generous support to guarantee the Plant Sciences Initiative (PSI) will advance to completion.
44. **We support the mission of the Land Grant University and call upon the administration at NC State University to conduct full review of admission policies that may place student applicants from farming and rural areas at a competitive disadvantage when pursuing degrees in agriculture and agribusiness.**

Economics and Finance:

45. **Energy costs – We support technology and policy actions to help reduce energy expenses associated with growing and marketing the crop.**
46. TGANC recognizes the importance of sound and prudent credit policy. We encourage banks, agricultural credit associations and any other public, private and governmental entities that provide credit to farmers and agribusinesses to be cognizant of changes that occur within the agricultural community. We encourage such institutions to continue to find ways to provide both long and short-term credit.
47. We encourage the Golden Leaf Foundation, which was formed to distribute 50% of North Carolina's MSA proceeds to tobacco dependent Communities, to recognize that the most effective means of revitalizing these communities is to employ the infrastructure that already exists, and is based on a tobacco farming economy.
48. TGANC encourages USDA in their statistical surveys to release by December 1st of each year estimates to the public on tobacco acreage produced in each state for that year.
49. Recognizing the scope and importance of the state's # 1 industry - agriculture, and specifically farm land for agricultural production, we request all governmental regulatory agencies maintain an understanding and policy supporting the critical need and rights of water usage, particularly those sources traditionally used and developed for agricultural practices.
50. We support efforts to help create awareness about the consequences associated with loss of productive farmland. We applaud the NC Department of Agriculture and the NC General Assembly for its creation and funding of the Farm Land Preservation Trust in the mitigation of the disappearance of our farm land and natural resources.
51. **TGANC continues to be concerned about the continued sharp escalation in costs of production in growing tobacco and the importance of those entities that purchase leaf tobacco to understand such expenses.**
52. Aging infrastructure is a major concern of all involved in tobacco production. TGANC requests that purchasers of tobacco be aware that multiyear contracts and pricing sufficient to ensure long term profitability are necessary to inspire enough confidence in the grower base to allow for modernizing tobacco specific investments

Good Agricultural Practices (GAP)

53. GAP Certification - TGANC calls on the industry to commit that certification programs will demonstrate value to growers, including contract stability, compensation for extra costs incurred and long-term commitment to purchases.
54. We encourage GAP Connections to be more inclusive of grower perspectives and to increase the number of growers on its board of directors
55. We oppose increasing compliance costs associated with GAP certification programs.
56. We call on the industry to hold all growers around the world to the same GAP standards.
57. Given the unnecessary costs of multiple barn testing requirements, TGANC advocates that a single, standardize barn test program continues.
58. Understanding that GAP training is beneficial to the industry and that all growers are now required to comply, we support a continued standardized GAP training program.
59. **GAP assessment visits should be conducted in a more streamlined approach with better consistency. We further request that attention should be given towards more careful handling of certain sensitive data and information while conducting assessments.**
60. We call upon GAP Connections to provide a detailed outline of what farmers should expect in advance of an assessment visit/review.
61. We call upon the industry to adopt a single and standard GAP on-farm assessment and avoid duplicate visits to the same locations during the same crop year.
62. We encourage the industry to explore opportunities to achieve increased yields for conventional tobacco seed.
63. **We call upon the tobacco industry to maintain awareness of the importance of social responsibility.**
64. While US tobacco producers pride themselves on the integrity of what is known to be the most carefully produced, high quality tobacco in the world, we acknowledge that possible findings of any noxious materials from naturally occurring plants also present in the fields should be thoroughly investigated and require a cooperative effort to find solutions that resolves such concerns to the satisfaction of our customers.

Crop Insurance:

65. We request that tobacco be treated equally by RMA relative to all other fully covered and insurable crops.
66. **We recommend that flue-cured tobacco producers need to furnish a valid contract affiliated with recognized purchasers in order to obtain full value multi peril crop insurance coverage, and that tobacco planted absent a valid contract only be insurable at a reduced rate in order to help discourage total over production.**
67. **We support review and revisions for final dates of insurance coverage that more accurately reflects the modifications to the current growing season lasting longer. In particular, wind coverage should extend beyond October 1st for wind and hail policies.**
68. **We recommend that TAGS be reviewed by RMA and changes implemented that require non value tobacco to be destroyed.**
69. **In situations of wide spread weather events and natural disasters, we call upon RMA and agencies to pay claims in a timelier manner.**
70. We request that all states be treated equally by the Risk Management Agency in reference to the MPCI regulations and that production and price guarantees adequately reflect the true costs of production. The premium charges should be based on the same standards as all other commodities.

Thank You Annual Meeting and Supporting Member Sponsors 2017-18

For your support of this event and other activities of the organization throughout the year.

PLATINUM



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GOLD



SILVER



BRONZE



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