

My name is Keith Parrish. I am a tobacco farmer and quota holder from Benson, North Carolina. I thank you for holding this field hearing on legislation that is critical to the future of tobacco growers, quota holders, consumers, and manufacturers in the American tobacco industry.

Tobacco growers and quota holders have lived under the nation's tobacco quota and price support system since the 1930s. The system, invented for a different time, worked well for many years but now it clearly is broken. It is imperative that we work together to create a landmark national initiative on tobacco. American tobacco farmers support a buyout of historic tobacco farm quotas and reasonable FDA regulation of tobacco consumer products. The goal is a healthy future and the path is fairness.

Tobacco farming was the historical economic backbone of the colonies and was the only means of support for the family. In fact, tobacco was America's first export and was used as a trade commodity back when our country was in its early development stage. Tobacco remains built on these traditional roots since the creation of tobacco quota has inherent value to its holder. Indeed, tobacco quota is a property right in most tobacco producing states. Strong dependence on income generated from tobacco production is a fact of life for farmers and their communities in tobacco growing states. Entire communities and communities have been built on the concept and value of the tobacco quota.

Although it is a product at the economic core of many communities, today, tobacco farmers are planting the smallest crop in history. The value of U. S. tobacco production declined 46% from 1997 to 2002. Now we can add another 10.5% to the equation. All predictions for next year are even more grim at 30% and more than 25 cents assessments. I think we all can agree that only a few will survive and their days will be numbered.

Due to the decline in tobacco production and the rising costs associated with production, tobacco growers have farmed our equity away. While operating under the current tobacco program, the only thing allowing us to stay on our farm land is to renew our bank notes, and use our equity as collateral to borrow against. Tobacco farmers are forced to get their debt load down to manageable levels. For example, many of the farmers have been forced to sell timber before maturity and road front lots from their property to make ends meet while they are hoping and praying for a buyout. Entire farms now grow houses.

A lot of us farm small grains, cotton, soy beans, beef cattle, tobacco and other commodities. However, the most management intensive crop we grow and the most stable is tobacco. Despite the low tobacco prices, which are the subject of a class action antitrust case in federal court in Greensboro, tobacco is still the one commodity where, because of the quota protection, we can take it to the bank and use it to get a loan for the next year's crop. Now, due to the cuts in quota, we are unable to do this. Our bankers

are no longer willing to gamble on the promise of a buyout. Thousands are going out of business and the health of our communities are going with them.

Farming, in general, has changed along with the economic difficulties facing tobacco growers. Farmers have always worked together and depended on each other throughout our history. When one is down, others pick him up. Each farmer recognizes that it may be him who is down the next season, and cooperation among farmers has been one of our strongest traits. The fabric of farming communities has been like this since the Mayflower landed.

Now, however, the critical changes that have taken place in how quota is held and used are tearing the fabric of solidarity apart. Instead of helping a farmer who has had a rough growing season, some who have bigger or more efficient operations silently stand by, perhaps hoping to be the first to offer to take up the quota when the owner folds. I am reminded of an image of vultures in dead oak trees, waiting to sweep down on their prey.

Two aspects of the buyout are important to help address this point. First we need the buyout to occur now, without delay. Second, we need to phase in the impact of the buyout on farmers who may be the smallest, the oldest, or the ones who were unfortunate in the last growing season. The most basic of rights i.e. federal marketing orders, inspections, and F.S.A. oversight must be maintained. Our commodity should have the same rights as all other crops.

The buyout compensation needs to be handled by putting the money into the hands of the farmers. It is farmers and their families who largely populate most agricultural towns and counties. They support retail businesses, services, schools and church activities. If you want an engine to generate a recovery and stabilize these communities as we go forward from the buyout, the compensation needs to be paid to the people who make their living there, who raise their kids there, who shop there, who farm there.

It is also important to offer the farmer the chance to diversify his farming operation. Whether he wants to continue to farm tobacco or another commodity should be his choice. A buyout will provide us with the opportunity to transition from tobacco to other commodities. Diversification has always been a part of our farming operations. The tobacco income allowed for this opportunity to occur. The farmer does not want to be forced to sell off his farming operation and move to the city where virtually no jobs exist for him, therefore, it makes sense to give him the option of farming. When diversification is allowed, the community stays intact.

Although tobacco auctions have not been competitive for a very long time, the current

quota aspect of the tobacco program most frantically started to fail after the Master Settlement Agreement (MSA) was entered into in 1998. Manufacturers began to purchase large amounts of foreign tobacco. This created a lack of demand for domestic tobacco leaf and quotas were drastically cut. It seems to me that the one major manufacturer who has opposed the buyout is the one who is the most guilty. A strong commitment to American growers through increased buying intentions and content of their products sold would be greatly appreciated.

After the quota cuts started to occur in 1998, tobacco farmers began anticipating a buyout. Today, farmers are dealing with 60% of the quota that we had in '98. Even with the drastic cuts in quota, tobacco farmers are paying more for production due to the increased cost of quota rents. We repeatedly told the banks, that we have equity, we have it on \$8/4 per pound. Since tobacco is such a special commodity and quota has value on its own like no other crop, the banks treated it differently. Now, we are faced with whether the quota system will even exist or when a buyout will occur.

If the buyout does not occur it is suicide (and not by choice) for the tobacco farmer. My family has had five generations of tobacco farming, this could be my last crop if we don't get the buyout. My two sons can not afford to come back to the farm. Another family farm may soon cease to exist.

The real issue is a health issue, and it faces all the communities in every state. Tobacco is legal commodity. The demand for tobacco leaf is not going to disappear. Increasingly, manufacturers are turning to imports. We can choose to regulate tobacco and make it a safe product and have it be produced here in the USA, or we can have it produced uncertified, and imported in from Zimbabwe, Brazil or China.

The focus is on how do we want to proceed in the future? How do you want us to grow this commodity? Our nation has moved far down the road in understanding health risks of tobacco use. The decline in tobacco consumption, and the search for harm reduction, are things we applaud. Tobacco farmers believe we can accomplish this goal of growing the safest crop in the world. This will only occur with a buyout and accompanying FDA legislation.

Tobacco should be trackable and accountable. Every other commodity under the 2002 Farm Bill has accountability. Tobacco should not be different, why regulate every other aspect of the industry and not the most important part---production?

We are embarking on a new set of national tobacco policies and we need cooperation from all parties. Tobacco production is unique. It is unlike any other commodity crop

and the policy covering it needs to reflect its uniqueness while simultaneously addressing the health concerns. There is special knowledge required in handling of the chemicals and there are details in the growth process that are unlike any other crop. We have the know-how, the technology, the USDA and EPA compliance programs necessary to carry harm reduction discoveries into our tobacco crops.

Reasonable FDA regulation of tobacco consumer products is a non-grower issue. U. S. tobacco growers are willing to accept any form of safety or health check. Tobacco growers understand the Farm Service Agency's "FSA" system for the tracking of tobacco which is now in place. The point today is that the purpose of tracking will not disappear, it will change. Instead of tracking for quota, a new health policy on tobacco products will require tracking for health. We make a living growing tobacco, and as a business person, we would welcome the checks and balances that would enable us to grow a premier crop.

We are fortunate in this country not to need a new bureaucracy to accomplish our new health goals in the tobacco growing sector. In fact, growers already register and certify our crops with FSA. Because a governing organization already exist any new legislation would not need to invent a new entity to register our crops and oversee their certification.

With hundreds of thousands of class members, never in history has there been such a large group of growers that have the capability to speak as one voice. Tobacco growers were not invited to the table for the MSA, but now there is a unity of positions which has never happened before. The path of fairness allows us to reach our goal for a healthy future of tobacco production.

I would invite our elected officials to think about this the only way it can possibly work. It is a rare moment for you to accomplish a difficult task, putting together a bipartisan coalition, including health organizations, in a singular direction without political risks. You can get it done.

Senator Dole, thank you for focusing attention on these very important issues that threaten the future of America's tobacco growers. On behalf the American tobacco growers and quota holders, I appreciate this opportunity to testify and present our views.