Tobacco Farmers and Tobacco Manufacturers: Implications for Tobacco Control in Tobacco-Growing Developing Countries

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ABSTRACT

Assisting tobacco farmers to transition to non-tobacco alternatives is a key element of comprehensive tobacco control’s end-game strategy and specifically required by the World Health Organization (WHO) Framework Convention for Tobacco Control (FCTC). We examine the historical relationship between tobacco manufacturers and tobacco farmers in the United States, where the duration of the relationship has been longest and use information obtained to inform possible end-game strategies for tobacco control advocates working with tobacco farmers in developing countries. Tobacco Documents obtained under the Master Settlement Agreement (MSA) provide evidence of conflicts between tobacco manufacturers and tobacco farmers. Findings support WHO FCTC articles aimed at helping developing country tobacco farmers adversely affected by tobacco control efforts and highlight difficulties in discouraging tobacco cultivation as long as it remains relatively profitable. We conclude that successful end-game strategies should take a long-term approach aimed at building alliances with tobacco farmers and at creating mechanisms for tobacco farmer investment in local infrastructure.


Keywords: tobacco control, tobacco farmers, tobacco industry, tobacco documents, developing countries

INTRODUCTION

Using Tobacco Documents made available by the 1998 Attorneys General Master Tobacco Settlement Agreement (MSA) (1), we
investigate historical evidence of economic and political conflicts as well as commonalities between tobacco manufacturers and tobacco farmers in the United States, where the relationship is long-standing. Changes in public health and political forces provide insight into strategic behavior of both parties as tobacco control gained momentum. We sought to gain greater insight into the relationship from the manufacturers’ perspective and to examine ways in which this information might inform and aid end-game strategies of tobacco control advocates working in tobacco-growing developing countries.

BACKGROUND

Tobacco manufacturers’ efforts to obscure information about tobacco health effects to increase profits and maintain shareholder value (2,3) are wholly consistent with similar duplicity observed in their dealings with the World Health Organization (WHO) (4) and in political collusion and manipulation of tobacco farmers’ support in other countries (5,6). A 1988 fax to British American Tobacco (BAT) board members provides evidence of tobacco manufacturers’ intent to exploit developing country tobacco farmers through funding and control of the International Tobacco Growers Association (ITGA) (7).

Manufacturers, through INFOTAB (International Tobacco Information Centre), would “control” the primary funding of the organization (ITGA), and would thus be able to ensure that it stuck to politics. The ITGA would have the clout to combat idiotic crop-substitution programs. The ITGA could ‘front’ for our third world lobby activities at WHO, and gain support from nations hostile to MNCs (Multinational Corporations). The ITGA (pushed by us) could activate regional agriculture lobbies which are at present very weak and resistant to industry pressure. (8)

Developing country tobacco farmers derive real and important economic benefits from tobacco cultivation: benefits not readily replaced by alternative sources of income and employment. As a consequence, successful tobacco control end-game strategies will have to confront tobacco manufacturers’ opposition to crop substitution and actively assist tobacco farmers’ transitions to
alternative enterprises and crops. Article 17 of the WHO Framework Convention on Tobacco Control (ratified by 168 parties as of September 2008 (www.who.int/entity/fctc/signatories_parties/en/)) explicitly recognizes the potential harm of smoking reduction to tobacco farmers and other workers who are economically dependent on tobacco:

Parties shall, in cooperation with each other and with competent international and regional intergovernmental organizations, promote, as appropriate, economically viable alternatives for tobacco workers, growers and, as the case may be, individual sellers.

The issue of sustainable alternatives for tobacco-dependent workers is also addressed in Article 4 where, as a “guiding principle” of the Convention, signatories are expected to develop national strategies for sustainable development in the absence of tobacco; and in Article 22 where Parties to the Framework Convention for Tobacco Control (FCTC) will assist “as appropriate, tobacco growers in shifting agricultural production to alternative crops in an economically viable manner” (9).

A recent survey of research priorities among representatives of developing countries also identified four of seven priority issues directly related to tobacco farmers (10). These issues will be particularly important in countries like Malawi, Zimbabwe and, more recently, Zambia, that rely disproportionately on raw tobacco export earnings (11–14) and China where cigarettes, using largely domestic tobacco, generated 7.6% of 2005 total government revenue (15).

We focus on the tobacco manufacturers–tobacco farmers relationships in the United States because of the long history and because declining per capita tobacco consumption in the latter half of the 20th century may be mimicked by declines in world tobacco consumption as global tobacco control succeeds. Better understanding may suggest how to weaken tobacco grower opposition to tobacco control in developing countries (16), either by weakening the tobacco manufacturers–tobacco farmers bond or by strengthening tobacco farmers market power, thus aiding WHO FCTC efforts to make sure farmers are not unduly harmed by successful tobacco control efforts.
Our data come from publicly available tobacco industry documents released through the 1998 MSA. Between June 2003 and November 2004, one of the authors accessed documents through the Legacy Tobacco Documents Library (http://legacy.library.ucsf.edu). A Tobacco Documents review expert who had previous experience as a Lead Abstractor of Tobacco Documents on another study conducted parallel document searches to confirm the results of the author’s review.

We focused on documents that addressed US tobacco farmers–tobacco manufacturers conflict directly, explained such conflicts, or suggested strategies to combat or diffuse such conflicts. We also searched for and reviewed documents suggesting differences in outlook on the tobacco farmers–tobacco manufacturers relationship between different tobacco manufacturers or tobacco farmers factions. Finally, we reviewed many documents that described tobacco manufacturers’ strategic or political objectives, confining ourselves to those in which the tobacco manufacturers–tobacco farmers relationship was a factor in tobacco manufacturers’ strategic outlooks or behaviors.

We reviewed any document that directly discussed the US tobacco manufacturers–tobacco farmers relationship or indirectly provided evidence about the nature of that relationship. We also focused on documents that illustrated tobacco manufacturers–tobacco farmers conflict and how it affected the relationship over time. Most documents were from Philip Morris (PM) and R.J. Reynolds (RJR), consistent with these companies’ large and growing market share during the timeframe – combined share was 73% by 1993 (17) – and thus, tobacco policy influence.

We retrieved documents containing the word “grower” – 9,746 documents. Sampling these documents, we identified additional search terms to help reduce the number of documents for thorough review. We searched with the words “interests,” “strategy,” “relation*,” “alliance*,” “political action,” and “oppos*,” as well as names of tobacco manufacturer staff or executives involved in interactions with growers or who had commented on or analyzed relationships with growers. More than 50 different combination search terms retrieved 3,679 documents.
A combined retrieval term might yield a low (e.g., 10) or high (>100) number of retrieved records. If the number of documents identified was <50, all were reviewed, even if it became clear during the review process that the records were of only tangential interest. If greater than 50 records were identified from a search term, exhaustive review was only undertaken when it was clear that the search term(s) had produced useful records. If, after the first 50 records were reviewed, all were found to be off topic, then the search term was deemed “not productive” and another search term combination was used. Combination search terms like: Grower* + -manufacturer* yielded 211 records and we reviewed 50; grower* + -relation* yielded 892 records and we reviewed 100, where none of the reviewed documents yielded information relevant to our objective. To maximize search efficiency, we redirected our resources to other search terms. In the end, of 3,679 retrieved documents, we reviewed more than 1,700 and saved 185.

We identified only a few documents (18) that described US tobacco manufacturers–tobacco farmers conflicts. Based on the content and context of these documents, we conclude that these conflicts are long-standing and inherent in the buyer–seller or principal–agent nature of this relationship. Often the conflict seemed to be described only to provide context for larger contemporaneous issues discussed in the documents. That the conflict was a “given” may account for the dearth of documents pertaining specifically to the tobacco manufacturers–tobacco farmers relationship.

Importantly, the most useful documents were tobacco manufacturers’ “historical analysis” documents – analyses that retrospectively examined tobacco manufacturers–tobacco farmers conflicts and their causes to suggest possible strategies. We searched exhaustively for such historical documents and used in the analysis all that we found. The conflict documented in these documents, while “historical,” appears to be on-going and market-driven. No evidence suggests that conflicts over competing market objectives would be unique to developed countries.

**RESULTS**

We identified a particularly informative document, an RJR internal memo written in 1977 by James S. Dowdell, R.J. Reynolds Director
of Corporate Public Affairs (19), titled “Tobacco Grower Relations.” It provides a historical overview of US tobacco farmers’ relations from RJR’s perspective. The memo documents contemporaneous sources of friction between the two parties: (1) the “market price of leaf tobacco;” (2) changes in cigarette production technology (e.g., filters, smaller diameter, use of reconstituted tobacco) that reduced demand for leaf tobacco; and (3) increases in imported tobacco (20). The memo also documents historical and continuing conflict from the buyer–seller relationship; the dominant source of tobacco manufacturers–tobacco farmers friction, although both parties benefited from sales of leaf and tobacco product:

Historically, there has been a basic antagonism between tobacco farmers and manufacturers. Tobacco buyers, including those of the manufacturing companies, buy as low as possible. Growers, universally, have always felt they didn’t get enough for their crops. And, this economic struggle between producers and manufacturers has been going on for years. (20)

Enactment of the Agricultural Adjustment Acts (AAA) of 1933 and 1938 (18,21,22) established agricultural commodity support programs in the United States and provided price stabilization for tobacco farmers through annual marketing quotas. The quota program reduced tobacco manufacturers–tobacco farmers friction by dampening price fluctuations and increasing tobacco farmers’ profits (23). Ownership of marketing quotas, however, may have also increased friction among tobacco farmers by creating two divergent factions: tobacco quota (allotment) owners and tobacco growers. Both benefited from higher prices, but each group’s profits were affected in opposite directions by quota lease prices. Academic and industry sources indicate that quota owners were the primary beneficiaries of the quota system (24,25). RJR Vice President, E.W. Ainsworth, Jr. described discord between the factions during the 1980s: “Within the Farm Bureau’s Tobacco Committee, allotment holders far outnumber actual growers... It is not surprising that this group would resist changes in the tobacco program which threaten the capitalized quota value of their land as well as prospective lease rates. ... many growers have split-off from the Farm Bureau to form purely grower-oriented organizations” (26).
Four mid-20th century studies suggested an etiological link between smoking and lung cancer (27–30) stimulating tobacco manufacturers to improve relations with tobacco farmers to marshal political opposition to nascent tobacco control efforts. The RJR historical memo cited above describes RJR’s efforts to reduce underlying tension between RJR and tobacco farmers by emphasizing to tobacco farmers the need for “complete industry unity” in response to the new “health scare.” The memo went on to describe the role of the tobacco manufacturers, and particularly RJR, in the formation of the Tobacco Growers Information Committee, “to improve” relations with farmers and “provide the Company and the Industry with a legislative defense mechanism” (20). The TGIC was not, however, as effective at organizing farmers in support of industry legislative efforts as RJR would have liked, thus more direct relations with tobacco farmers might need to be established (20).

A 1985 Philip Morris (PM) Briefing Book provides evidence that other manufacturers were aware of long-standing conflict and tension in the relationship and were considering new political strategies:

Assuming the deterioration of the grower–manufacturer alliance, and there is good reason to believe that it has already begun, we must concentrate immediately and intensely on the necessity for building new coalitions and alliances. (31)

“consolidating strength with congressional representatives” would not be easy if tobacco manufacturers lacked political backing from tobacco farmers. Tobacco farmer organizations wielded considerable political firepower in the US Congress because the seniority system had made several southern Democratic lawmakers important committee chairs (31).

Increasing supplies of lower-priced foreign tobacco (32,33) also stimulated conflict. The 1985 PM Issues Briefing Book cited above notes that by the mid-1980s PM and most likely other tobacco manufacturers recognized that the price support system for domestic tobacco was working against their primary economic objective, higher profits, now that cheaper foreign tobacco was available. (As early as 1959, PM had a “substantial commitment in developing countries,” which was viewed as an investment in the future (34).)
It also hints at underlying mistrust between tobacco farmers and tobacco manufacturers:

..., the fact is the current tobacco program maintains an artificially high price of domestic tobacco in relation to the world market. Should the domestic tobacco program collapse we would return to a free market system which would probably result in considerably lower prices without a significant sacrifice of quality..., with the profits going only to the major corporations... <this would be> perceived by many... tobacco farmers that it was done, deliberately, by the manufacturers, to the growers. (31)

The same document offers insight into the forces that would ultimately contribute to its end.

Our alliance with the growers has been a tenuous one, but the bond has held. However, the alliance is on the verge of dissipation as tobacco pool stocks rapidly increase and the tobacco support program moves toward the brink of extinction. (31)

Tensions were also fueled by declining growth in US demand for tobacco products and active tobacco manufacturers’ investment in expanding foreign markets and foreign tobacco production and leaf development capacity (35,36). From 1977 to 1997, the total share of tobacco production in high-income countries fell from 30% to 15%; it rose from 40% to 60% in Asia and from 4% to 6% in Africa (11). A 1984 speech by the president of the Kentucky Farm Bureau Federation reflects US tobacco farmers’ views of these market changes:

Tobacco producers...have joined in ...a never-ending battle – between the tobacco industry and its sworn and sometimes fanatical enemies....We have faithfully and fearlessly followed the leadership of the generals of this war – those who buy our golden leaf. ... not without an awareness that the generals of this war have recruited other soldiers – in faraway places – Korea, Zimbabwe, Brazil, Mexico, Honduras. Although they enjoy the spoils of victory as much as we... As a leader of your loyal faithful American troops – I call upon the generals of this
industry to discharge your foreign mercenaries – and rely instead upon those of us who have both the will and weapons to win... (37).

The World Trade Organization, General Agreement on Tariffs and Trade, and the North American Free Trade Association in the mid-1990s further expanded global tobacco markets (38). Tobacco manufacturers claimed they were generating new US leaf exports by increasing cigarette exports, overseas manufacturing, and promotion of American-blend cigarettes (39). They did not reveal that these trends were offset by lost US leaf sales caused by tobacco manufacturers’ use of foreign leaf in their US and foreign manufacturing (35). Later, tobacco manufacturers claimed that US smoking declines resulting from the MSA justified reducing US leaf purchases. They did not mention that the primary cause of the declines in US consumption from 1997 to 2001 was the companies’ own price increases above and beyond MSA settlement-related costs (35). A 1995 letter from Rod Kuegel, President of the Burley Tobacco Growers Cooperative Association, to Rob Kornegay of RJR reflects tobacco farmers’ dismay over the tobacco manufacturer-initiated price increases:

Astounded! I guess this best describes my reaction and that of other burley tobacco growers to the most recent announcement of a price increase in cigarettes by three of the major cigarette manufacturers.

...during the exact week that members of Senator Ford’s Tobacco Task Force were setting out to convince growers of burley tobacco of the need to take less money for their product ...Now, today, to go out and talk to growers and ask them to take less money while the manufacturers want more on top of already astronomical profits is a bit hard to do and even harder for the grower to swallow... I am astounded! (40)

Fortunately for US tobacco farmers, the quota system and generally stable world-market tobacco prices (5) allowed tobacco to continue to be a lucrative crop for many US tobacco farmers, at least until quota cuts in the late 1990s began to erode profits and quota asset value.
The historical documents we reviewed focused primarily on the long-standing US tobacco manufacturers–tobacco farmers relationship that was characterized by both common and competing economic interests. By the 1980s, tobacco manufacturers’ embrace of foreign competitors’ leaf had produced more competing than common interests. Mounting evidence of negative health effects added fuel to tobacco control advocacy and ignited previously dormant anti-smoking sentiment. Falling US demand for cigarettes and other tobacco products plus higher US tobacco prices created an environment likely to be mimicked by successful global tobacco control. Increased foreign demand and lower foreign tobacco prices encouraged manufacturers to concentrate on foreign consumption and production markets. Some US tobacco farmers became more receptive to working with public health advocates (41,42).

Tobacco farmers’ perception that competition from foreign tobacco growers had eroded their market power and profits and that tobacco manufacturers encouraged these competitors appeared to weaken the tobacco manufacturers–tobacco farmers relationship. Several things, however, sustained their alliance:

- Both parties rely on high demand for tobacco products to maintain profitability and tobacco continued to be a profitable crop with few equally profitable alternatives.
- Many US tobacco farmers were older than 50 years (43) and may have been more interested in a reliably profitable crop to preserve retirement assets; switching to non-tobacco alternatives would have imposed start up costs and uncertainty about income streams.
- Tobacco farming in the United States is a multi-generational way of life, valued by many farmers.

These factors, intrinsic to tobacco were abetted by anti-government sentiment and pro-individual rights ideologies that resonated with many US tobacco farmers, stimulating formidable opposition to tobacco control (44) even as farmer sentiment turned against tobacco manufacturers. Opposing incentives stimulated conflicts between owners of tobacco quotas and active growers, perhaps further hindering tobacco farmer coalition building.
Is the US experience likely to help tobacco control advocates working with tobacco farmers in developing countries? Several major differences are salient in attempting to answer this question:

- By virtue of their political clout with national and local lawmakers, US tobacco farmers had more power dealing with manufacturers than most developing country farmers are likely to have. The documents we found provide evidence that tobacco manufacturers’ corporate officers had considerable respect for the farmers’ political power and political power may have served as a partial counterweight to manufacturers’ economic and market power. In its absence, tobacco manufacturers might have used market power to enhance profits at the expense of farmers.

- Tobacco farmers in developing countries are much less likely to have as many business and employment options and opportunities as their US counterparts. US tobacco farmers are better educated, with greater access to capital. They may be better able than their developing country counterparts to switch to alternative farm enterprises or leave farming for alternative employment. The sharp decline in the number of US tobacco farmers suggests that many did so (45).

- Until 2004, US farmers were selling generally high-quality, price-stabilized tobacco, helping to increase profits and providing predictable income each year, thus reducing incentives to exit tobacco farming. Developing country farmers, without price stabilization programs and without economies of scale, may be subject to wider variation in output, quality, and prices. Consequently, they may have greater incentives to try other agricultural enterprises.

As Jacobs et al. (5) point out, supply-side efforts to reduce smoking by inducing developing country tobacco farmers to cultivate alternative crops or livestock or to exit farming altogether are likely to fail as long as tobacco remains relatively more profitable than available alternatives, particularly on small farms. Since the end of the US tobacco quota program, tobacco’s relative profitability has led to increased US tobacco production and exports, rather than declines, as some had expected (46). United Nations projections suggest that although farm-level profitability of tobacco may decline, profitability compared to other crops is likely to remain high,
creating incentives to expand tobacco production in developing countries (47). As long as higher profits and wages persist, farmers who stop farming tobacco would simply be replaced by new farmers and workers. Our survey of tobacco documents pertaining to US tobacco farmers’ behavior supports this projection.

Clearly, US tobacco farmers were aware of tobacco manufacturers’ duplicity and aware of declining demand. Despite a strained relationship, as long as tobacco remained more profitable than alternative crops, US tobacco farmers and their organizations remained largely loyal to manufacturers and willing to fight tobacco control, doing so long after it was clear that tobacco manufacturers’ allegiance to US tobacco farmers was waning. If the US experience is an indicator, attempts to shift farmers away from tobacco as long as tobacco is more profitable are almost certain to fail.

This does not mean that helping developing country tobacco farmers has no role in a comprehensive tobacco control end-game strategy. An early strategic alliance between tobacco farmers and tobacco control advocates willing to supply organizing and political skills and training to help farmers improve their bargaining power with manufacturers and/or government representatives is likely to lead to higher prices for tobacco products and other farmers’ crops. Higher prices should, in turn, reduce demand for tobacco products (48) although these effects would likely be quite small (23).

A strengthened alliance and improved dialog between tobacco farmers and tobacco control advocates would counter the alliance between farmers and manufacturers that naturally arises from their commercial relationship. Increased tobacco farmers’ revenues might provide a means for tobacco control advocates to work with farmers and their communities to foster development of sustainable alternative sources of income:

- investment in farm and community infrastructure – processing plants and improved transportation – would increase access to new markets while adding value to and increasing profits from alternative farm enterprises (49);
- improvements in access to credit or capital needed to convert from labor intensive tobacco farming to more capital intensive crops and commodities, perhaps through community-based financial
organizations, village banks, or other micro-finance mechanisms aimed at economic development among the rural poor (50).

As global demand for tobacco erodes and alternative agricultural enterprises become relatively more profitable, improvements in infrastructure and credit access will help tobacco farmers to switch more easily to non-tobacco alternatives. For these reasons, FCTC requirements and guiding principles aimed at helping tobacco farmers are surely critical components of global end-game strategies for tobacco control even though tobacco farmers may be a small proportion of total agricultural workforce (5).

There can be little doubt that tobacco manufacturers will remain focused on expanding tobacco sales and consumption in all its forms wherever they find or create markets. Tobacco manufacturers may compete with each other for market share, they may disagree about regulation if they are likely to receive different benefits from it (51), but they will certainly coalesce as a single front to fight broad economy-wide tobacco control measures, such as tax increases and smoking or advertising bans. In tobacco-growing developing countries, tobacco manufacturers’ opposition to tobacco control will be cohesive, strategic, financially powerful, and will seek to enlist tobacco farmers. Tobacco control advocates working with tobacco farmers in these countries must also be sustained, cohesive, and strategic.

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