

Desperate Canadian Farmers Facing Shut-down of Tobacco Growing in Canada Stymied by Ottawa

SIMCOE, ON, Nov. 14 - Canada's remaining tobacco farmers, already struggling under high debt loads and an uncertain future, are facing another bleak year of record-low revenues and high levels of unsold product, which is trucked back to their barns. And they hold the federal government's conflicting tobacco control policies to blame for much of the devastation their families and communities are facing.

In fact, says the leader of a group representing the majority of Canadian tobacco farmers, they've been told that 2006 could well be the last crop many will be able to grow, throwing the country's last tobacco-producing regions into an immediate plight. In another ominous sign, the Ontario Flue-Cured Tobacco Growers Marketing Board, which oversees tobacco production and marketing in the province, issued notices of potential layoff to the 150 seasonal employees in its auction exchange in late October – a development that heightened anxiety for growers.

“Many farmers are now desperate for some firm indication that the federal government is willing to take immediate action to help,” says **Brian Edwards**, president of Tobacco Farmers in Crisis, a non-profit association that represents a majority of the country's 700 remaining growers. They demand Ottawa show leadership in putting together an exit strategy for farmers and their communities because they attribute much of the blame for the swift decline of their markets, not to declining tobacco consumption in Canada (a drop they've adjusted for over the past several years), but to the federal government's policies on taxation, tobacco importation, manufacturing and sales.

“Tobacco control in Canada is out of control,” Edwards insists. “And it's only the farmers, their families and communities who are suffering.”

Federal and provincial governments raked in \$9 billion in taxes on tobacco products sold in Canada over the past year while legal cigarette manufacturers made \$1.5 billion in profits, much of it thanks to cheaper, imported tobacco, Edwards points out. Illegal manufacturers and smugglers made at least another \$1.5 billion, according to estimates provided by retailers and manufacturers.

But farmers, who were promised stable, gradually declining markets as recently as 2005, have seen crop sizes slashed by 50% over the past five years, during a period when they were also forced to make sizable investments in equipment upgrades. For the past two years, TFIC has been lobbying the federal and provincial governments to develop a comprehensive, fair and orderly exit strategy for tobacco growers in Canada, with gradually declining crop sizes that would mirror reductions in domestic demand. The provincial government is now listening and ready to help, Edwards says. But farmers are all waiting for timelines and answers.

Governments of other former tobacco-growing countries have already helped their farmers exit the industry, TFIC chair **Hank Chromczak** says. U.S. growers received a US\$10 per pound of quota [CDN\$11.31] in 2004 while Australia just compensated its farmers AUS\$7.00 per share plus additional payments by tobacco companies of AUS\$2.40 to come in Feb. 2007 and AUS\$2.00 in Feb. 2008 for a grand total of AUS\$11.40 [CDN\$9.88]. By contrast, TFIC's *Blueprint for Action* proposal seeks only CDN\$4.18 per quota pound or a total of \$100 million per year for 10 years. That represents about 1% of the \$9 billion annually governments currently reap in tobacco taxes and could easily be financed by an extra levy on manufacturers or by recapturing the funds lost to illegal cigarette manufacturing and sales.

Edwards says its members are especially embittered by the fact that, by allowing manufacturers to use an ever-increasing amount of foreign tobacco in products sold in Canada, Ottawa is undermining key tenets of its own much-vaunted tobacco control policy as well as domestic producers. Cheaper tobacco imported from Third World countries enables manufacturers to market so-called "value brands" – which now represent about 45% of sales and are especially attractive to youth, conflicting with the government's goal of reducing access for minors and cutting its tax take at the same time.

The government's lack of action on illegal manufacturing and sales, and its sanctioning of the increasing use of foreign tobacco, are the two key factors leading to the sharp drop in legal sales and prices of Canadian-grown leaf, TFIC says.

"We have worked diligently to bring the attention of governments to bear on these issues – and the grave impacts they're having on our farm families and communities – and we're fed up with being sent away with more promises but without any commitment," Chromczak says.

"Now, our members don't know if they'll have a livelihood at all in six months. Many are already mortgaged to the hilt so we know the banks won't come to the rescue again next year," he adds. (The average tobacco farmer is 58 years of age and carries \$400,000 in debt.) "Many Canadian growers simply won't be able to afford to plant a crop next spring and others will wonder why they should when they're trucking so much unsold tobacco back home again this year. We can't continue this way – we need action from government so we can plan our futures."

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For more information on Tobacco Farmers in Crisis, the devastating situation facing Canada's tobacco farming community and TFIC's *Blueprint for Action*, contact:

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