Tobacco growers' concerns get airing

Herald-Leader Staff Report

WASHINGTON -- In a meeting yesterday with key administration officials, Democratic farm state lawmakers voiced their concerns about protecting tobacco growers under the proposed multibillion-dollar tobacco accord.

In general, the lawmakers said that they want assurances for growers that tobacco quotas will not be decreased and that tobacco prices will be protected, said U.S. Rep. Scotty Baesler of Lexington.

The lawmakers also said that the quota of tobacco American farmers are allowed to grow should be tied to overseas demand.

Baesler said more specific details will be worked out in the next 60 to 90 days by the 15 lawmakers who met yesterday with Donna Shalala, secretary of Health and Human Services; Bruce Reed, the president's chief domestic policy adviser; and Daniel Glickman, secretary of Agriculture.

The proposed $368 billion settlement of health-related tobacco lawsuits negotiated by the cigarette companies and 40 state attorneys general makes no mention of the effect on America's estimated 124,000 tobacco farms.

Congress and the White House must ratify the settlement, and President Clinton already has demanded changes.

A proposal sketched out by farm organizations earlier this month sets out more specific ideas, including a request that 2 percent of the settlement -- roughly $7 billion -- be set aside for the "economic benefit" of tobacco growers.

National
The Dallas Morning News
Search | Help | Feedback | Site Map | Home

Related links
National summaries
National Discussion Forum

The Front Page
In the News
National
International
Texas&Southwest
Metropolitan
Business
Science/Tech
Sports Day
The Arts
Lifestyles
Guide
Opinion
Religion
Weather
Help/FAQ
The Wire
News to Use
Advertising
Classified ads

Growing support

Tobacco farmers, others call hemp beneficial, but DEA calls it marijuana

07/29/97

By Thomas G. Watts / The Dallas Morning News

WINCHESTER, Ky. - Andy Graves looks at the tobacco plants his family has grown for six generations and hopes for an alternative.

In her tobacco fields a few miles away, Gale Glenn would like another rotation crop to help maintain the richness of her soil in the heart of Kentucky's Blue Grass country.

At a time when many tobacco farmers are increasingly concerned about the future of their crop amid the growing anti-smoking sentiment, these two farmers think they may have part of the answer.

They might need an act of Congress to grow it, however.

Mr. Graves and Ms. Glenn are advocates of industrial hemp, a form of *Cannabis sativa*, or marijuana, that has been outlawed in the United States since 1937.

"I'm not interested in giving up the tobacco unless I have to," said Ms. Glenn. "What we are interested in is another cash crop.

"And there's a great sense of urgency among the hemp people to provide another cash crop. It's like we're on a roll now."

An increasing number of people, including actor Woody Harrelson, and organizations have been pushing industrial hemp in recent years. Hemp councils and trade groups market their products, which are legal in the United States. And several states have considered legislation to permit farmers to grow it.

Hemp's fibers are transformed into everything from rope to paper to high-fashion clothing. Its oils are considered a superior lubricant. Other byproducts could replace petroleum as the basis for plastics, its supporters say.

One industrial group says hemp product sales in the United States have grown from about $5 million in the early 1990s to about $200 million this year. Anticipated sales for the turn of the century are $600 million.

A recent cover of *hemp times* magazine featured Merle Haggard plucking at his guitar and wearing a hemp shirt. "People shouldn't be afraid of something as mild-mannered as hemp," he says.

The primary thing that hemp isn't good for is smoking.

Hemp supporters say the industrial variety contains less than 1 percent of the psychoactive drug tetrahydrocannabinol (THC), compared with 5 to 20 percent contained in the plants that are grown to provide the illicit high.

Smoke a stick of hemp, supporters say, and the most you'll get is a headache.

DEA roadblock

Nonetheless, the most serious roadblock to the legalization of hemp is the U.S. Drug Enforcement Administration, which has so far proved implacable. DEA officials said marijuana by any other name is still marijuana. It is illegal to grow the plant or possess parts that provide THC.

Gwen Phillips, a spokeswoman for the agency, confirmed last week that the DEA does not differentiate between strains of the plant that produce different levels of the high-causing THC.

"Correct," she said. "No difference."

Ms. Phillips noted that a provision in federal law allows people to grow hemp for industrial purposes but only after they obtain a license from the DEA and show that its production "would be in the public interest."

The agency's policy statement on hemp read, however, that the "DEA has not in the past granted any registrations for the cultivation of marijuana for industrial purposes."

"The cultivation of the marijuana plant exclusively for commercial, industrial purposes has many associated risks relating to diversion into the illicit drug traffic," the statement continued.

Opposing views

During legislative hearings in the states where hemp legalization has been sought, the DEA and other law enforcement officials frequently have testified that it would be difficult for officers to tell the difference between industrial hemp and drug-rich marijuana. They also have accused hemp advocates of being naive or sympathetic to drug interests, and of chipping away at drug laws so that marijuana would eventually be legalized.

Hemp adherents disagree.

Plants grown for industrial hemp, they said, are planted within inches of one another and grow more than 10 feet tall with a small clump of leaves at the top. The valuable part of the plant is the stalk, with its long fibers, inner cellulose and other materials. Drug-laden plants are much shorter and clumped with leaves that contain most of the THC.

Erwin "Bud" Sholts, director of agricultural development and diversification for the Wisconsin Department of Agriculture, said authorities need "to get past the paranoia and emotionalism of the drug" and learn more about the differences between the *Cannabis* strains.

Mr. Sholts, chairman of the North American Industrial Hemp Council, said that besides the heights and leaf structures, other differences exist. "You even harvest it [industrial hemp] before the THC develops, before it flowers," he said.

Ms. Glenn, the wife of a physician, said she was insulted that anyone would suggest that she would support the illicit drug industry - even inadvertently.

"I'm a grandmother," she said. "I don't want that stuff around the kids."

Unwanted support

She and others in the hemp movement said they have tried to ignore the "gold earring crowd" that is working for the legalization of THC-laden marijuana, but they acknowledge that group often joins them at hearings and other hemp-support gatherings.

"There's not much that we can do about them," Ms. Glenn said. "We don't associate with them."

She and Mr. Graves, the sixth-generation tobacco farmer, are more interested in support from the influential American Farm Bureau and agricultural researchers, who have supported industrial hemp for its multiple uses.

And, they said, environmentalists like hemp because it requires virtually no pesticides or herbicides - unlike tobacco, corn and many other crops.

"No one has calculated the environmental costs that it would save," said Mr. Graves, whose father grew hemp in the years before it was outlawed and again during World War II, when it was needed for the war effort.

"The value of the crop exceeds the problems," he said.

Hemp's real value has yet to be determined. But the market is growing as new uses are developed.

Candy Penn, a spokeswoman for the Hemp Industries Council in California, said there were 94 business members of the council in 1994 and 188 now.

"The more that people understand this," she said of hemp, "the more they are signing on to use it."

Not a panacea

Even if the use of industrial hemp is ultimately permitted in this country - as it has been under controlled conditions in Britain, Canada and other nations - its supporters don't see it as a panacea for American agriculture.

Tobacco farmers such as Mr. Graves see it as a good rotational crop because hemp's root system helps aerate the soil and provides natural nutrients that tobacco sucks away:

But he and Mr. Sholts don't expect tobacco farmers to voluntarily abandon their primary crop unless they are forced to by the government or the marketplace. Mr. Graves said he grosses about $4,000 an acre from tobacco, a crop that carries extensive costs in labor, pesticides and herbicides.

At 3,000 acres, Mr. Graves' operation is at the large end of the tobacco farm scale. Smaller farmers throughout the South favor tobacco because they can see a high return - often by using family labor to replace the crews that farmers such as Mr. Graves hires.

By contrast, crops such as corn return about 10 percent of tobacco's value. It is unclear what hemp would bring.

"Those of us who are versed in the subject have never said it would rival tobacco," Mr. Graves said. "But the point of it is that it doesn't take any labor."

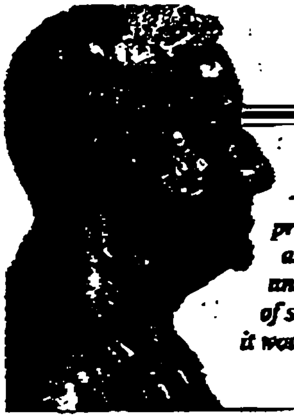
He and Mr. Sholts believe that the market for hemp will continue to expand and drive up the prices.

"It's been 60 years since anyone looked at it technologically," Mr. Graves said. "There's no telling what it could be used for now.

"Who the hell knows what prices it will bring eventually?"

Back to Top
Comment about this issue in the National Discussion Forum
[illegible]
[illegible]

Search [illegible] Home



THE NEWS & OBSERVER
MONDAY, JULY 28, 1997

I advise and enjoin those who direct the paper in the tomorrows never to advocate any cause for personal profit or preferment. I would wish it always to be "the tocsin" and to devote itself to the policies of equality and justice to the underprivileged. If the paper should at any time be the voice of self-interest or become the spokesman of privilege or selfishness it would be untrue to its history.

— from the will of Josephus Daniels, Editor and Publisher 1894-1948

Kicking the habit

Tobacco farmers deserve help from government and industry in adapting to changes likely to follow states' settlement with cigarette companies, but their requests for economic guarantees tend to be excessive.

Left out of talks that led to the proposed mega-settlement between cigarette companies and 40 state attorneys general, tobacco farmers have stepped forward to defend their interests. They're right to protest the lack of attention to farmers and their families whose livelihoods have depended, sometimes for generations, on the golden leaf. But farmers' calls for protection — and their gloomy forecasts of what will happen if they don't get it — go too far.

If the government's anti-smoking crusade succeeds — and anyone interested in public health must hope that it at least makes progress — tobacco farmers will face a certain decline in the domestic market for cigarette tobacco. The growing overseas market for American-made cigarettes will make up for some of this decline, but some farmers will need to find other sources of income. It's reasonable for industry and government to bear some responsibility for helping them weather the transition.

But consider farmers' requests: Their representatives are asking Congress for about $7 billion — 2 percent of the $368.5 billion settlement — in economic protections such as price supports or buyouts for farmers who leave the business. They also want compensation for losses in land value and other property, and guarantees that manufacturers' purchases of domestic tobacco will not fall below 90 percent of the current level.

More temperate, time-limited versions of these ideas make sense. But the open-ended deal that farmers want doesn't. It would create a kind of "cigarette welfare" that would provide little motivation for farmers to find new income sources. No product — especially one that kills 400,000 people a year — deserves such generous subsidy.

As lucrative as tobacco is, those who farm it are not without options, and many of them realize that. Just over half the farmers taking part in a 1996 survey said they were interested in diversifying their crops. Two-thirds of farmers under age 45 supported the idea; those closest to retirement understandably are least enthused. An even better route than crop diversification might hinge on new uses for the old crop — an idea promoted by the Triangle-based Southern Growth Policies Board. After a two-year dialogue among researchers at N.C. State and other southern universities, in 1996 the nonprofit organization reported good prospects for tobacco farmers to get in on the ground floor of plant-based biotechnology, an industry expected to explode in the next decade.

The policies board has outlined emerging opportunities in using tobacco extracts to make high-protein dietary supplements, bacterial soaps and other products. Even more intriguing, by growing brightleaf a little differently, farmers could produce a crop helpful in making insecticides, dyes, fragrances — even medicines. Get this: Specially grown tobacco could be used to make products to fight cancer and heart disease. You'd think the industry would jump on the chance for such good PR.

Yes, the deal with the cigarette companies should include some provisions for tobacco farmers. But in the long run, federal, state and industry money would be better spent supporting new uses of tobacco and tobacco fields than subsidizing cigarettes.

Tobacco: What About The Farmers?

By Bill Bishop and Ferrel Guillory

Sunday, July 27, 1997; Page C09
The Washington Post

Cigarette makers have long depicted tobacco farmers as their partners. Family farmers provided the big manufacturers not only with a high-quality leaf but also, significantly, with cultural and political cover.

A trade-off has been at the heart of the relationship. The companies paid a little more for domestic tobacco, the cost of which was kept artificially high under the federal price-support program. For their part, farmers turned out in their Big Yank overalls and battered caps whenever Congress threatened to raise the cigarette tax.

And yet the $368.5 billion negotiated settlement doesn't contain one word about what will become of the thousands of families across the Southeast who have built communities and a way of life around the checks that arrive with the sale of each year's tobacco crop. The settlement would provide $75 million over 10 years to promoters of sports events to compensate for the withdrawal of brand-name sponsorships, but it sets aside nothing for farmers and farm communities.

What everyone is missing is the opportunity to do something hardly ever accomplished in this country: to bring about an orderly transformation of a rural economy.

The nation has seen what happens when the caprices of markets and technology upset rural communities. The great internal migration of millions of black farm workers and their families to the North followed the introduction of the mechanical cotton picker. Appalachia experienced its own diaspora during the 1950s and '60s, when machines displaced miners by the thousands.

The transformation of the tobacco South could have a much different ending -- if, that is, the nation's policymakers seize the opportunities presented by the negotiated settlement and by the prospect of a substantial increase in the federal tax on cigarettes. If just a small portion of the $368 billion settlement or of the proposed federal tax increase of $15 billion over five years were set aside in a development fund, thousands of farm families and local leaders could have a chance to build a new economy within existing communities.

In 1993 tobacco farmers, academics and health advocates met in Berea, Ky., to discuss how to use proceeds from a major cigarette tax increase if Congress should enact it. Their plan had two parts:

(1) A portion of any new tax should be used to buy out quota-holders. Under the tobacco program, no one may grow tobacco unless given an allotment -- or license -- from the federal government. An allotment has value, and many quota holders get income from leasing or selling their allotments to actual growers. Older farmers look to their quota-leasing income as a component of their retirement financial planning.

(2) Tobacco farmers and communities should be able to draw from a "tobacco regions reinvestment fund." The fund would be administered locally and could be tapped for grants and loans to pay for on- and off-farm development projects.

In recent days, David A. Kessler, the former Food and Drug commissioner, has said that he feels "very strongly that farmers should not be left out of the deal." During the first-term debate over his national health care proposal that included a tobacco-tax increase, President Clinton declared publicly that he supported transition assistance for farmers. But his administration did not follow up with a plan.

The time for such a plan has arrived, and the Berea proposals could serve as a starting point. A week ago, officials of tobacco-state farm bureaus and farmer cooperatives met in Raleigh and issued a proposal that seeks $7 billion in "economic benefits" to growers.

Unfortunately, many farmers and their tobacco-state political leaders have been slow to understand the new world in which they are living, a world in which long-term trends point toward a gradual erosion of tobacco-re\lated incomes.

While cigarette manufacturers did nothing to include farmers and farm communities in the settlement, main-line agricultural organizations and tobacco-state politicians have focused almost exclusively on how to maintain the allotment and price support system. It is, to be sure, a federal program that has worked as intended. But the 60-year-old system is under assault less from anti-smoking forces than from the forces of cultural and global economic change.

Younger farmers are gearing up for life after the tobacco program. In a 1995 poll, two-thirds of farmers under 45 years old said they were interested in other ventures to supplement tobacco.

It is crucial that the issue not be defined too narrowly. It is not simply a matter of weaning farmers from tobacco and shifting them into strawberries or tomatoes. Farmers find such talk unrealistic and demeaning. The issue in all its fullness has to do with how to maintain a viable rural economy in a broad swath of the Southeast.

As the tobacco settlement now stands, the only sure losers are the communities fueled by tobacco checks and the people who do the blister-raising work of growing the once-golden leaf.

Bill Bishop is a columnist for the Herald-Leader of Lexington, Ky. Ferrel Guillory is director of the program on southern politics, media and public life at the University of North Carolina at Chapel Hill.

Back to the top

Tobacco tab may grow

Growers want larger purchase commitments

Saturday, July 19, 1997

By John Hoeffel

JOURNAL WASHINGTON BUREAU

WASHINGTON

Tobacco farmers from seven Southern states want tobacco companies to come up with $14.9 billion over 25 years to help them cope with a proposed settlement which threatens their livelihoods.

Their draft proposal locks the companies into buying more domestic tobacco than they do now, extend to farmers the same legal immunity granted to the companies, and require the federal government to buy out farmers if tobacco quotas drop more than 40 percent from their current level.

The four-page document, which was sent to tobacco-state congressmen yesterday, was the consensus of about 50 officials from tobacco states and farm groups who met in Raleigh on Thursday morning.

"The only hope that farmers can get assurance that they can grow tobacco and get a quote-unquote proper return on it is through the congressional people," said Lioniel S. Edwards, the general manager of the Flue-Cured Stabilization Corp., a cooperative.

The tobacco settlement was negotiated with no farmers at the table, but the parties have agreed that farmers should be added. White House officials, who are reviewing the settlement, met this week with farm officials but made no promises.

Edwards said that farmers aren't enthusiastic about the settlement,

ASSOCIATED PRESS

North Carolina

South Carolina

Virginia

NEWS ARCHIVE

Forsyth County

North Carolina

JournalNow Projects

JournalNow

which is designed to ratchet down tobacco use. "They see themselves as being squeezed," he said.

The farmers and companies are often at odds on tobacco issues. The companies want cheap tobacco and have relied heavily on imports from Brazil and Zimbabwe. But the companies bargain with the farmers because, as stewards of the land and icons of a traditional culture, the farmers offer much-needed political cover. Once a settlement is sealed, that relationship could end. So farmers are desperate to ensure their future in the settlement itself.

Exactly how tobacco-state politicians will work together to reach a consensus on a proposal is unclear. Many have scrambled to present themselves as defenders of the farmers.

Gov. Jim Hunt, Attorney General Mike Easley and Agriculture Commissioner Jim Graham all came to the capital last week, but at different times.

More than a few congressmen have lunged for a prominent role, hoping to fill the vacuum left by former Rep. Charlie Rose. Rose, who retired in 1996, was the powerful leader of the tobacco forces in the House. No one congressman has taken his place.

"We're in the process of shaking that down," said Rep. Bob Etheridge, who has a tobacco farm in Lillington in Harnett County and has set up a toll-free hotline for tobacco farmers. "It's staring to gel."

North Carolina farm officials appear to be counting on Rep. Eva Clayton, the highest-ranking North Carolinian on the Agriculture Committee. Etheridge and Rep. Mike McIntyre are also on the committee, and both are on the tobacco subcommittee. Rep. Richard Burr could also have a pivotal role as a Republican on the health subcommittee.

Aides to several North Carolina legislators called the proposal reasonable but ambitious. "There are some things in here that they know they're not going to get," said Robert L. Gibbs, Etheridge's spokesman.

Stephen F. Later, the legislative counsel to Sen. Lauch Faircloth, defended the hefty payout. "The financial commitment to farmers in this package will test the rhetoric of members of Congress who claim to be friends of farmers but foes of cigarettes," he said.

Farm officials cautioned that this is a rough draft. Some parts are vague, and others appear to conflict. Larry Wooten, the assistant to the president of the N.C. Farm Bureau, said: "When you start out, you put in there what you think is realistic and see where you go.

I'm not going to give up on any of this at this point or endorse it wholeheartedly,"

The tobacco companies declined to comment.

Under the farmers' proposal, 2 percent of the settlement payout would be used to help the farmers, including buying back their tobacco quotas. The quotas, known as allotments, are the number of pounds farmers are allowed to raise. Limiting production elevates the price that tobacco fetches at auction.

The settlement calls for a $368.5 billion payout over 25 years and $15 billion a year after that for as long as the companies sell cigarettes. Under the farmers' plan, their share would be $7.4 billion over 25 years and $300,000 each year after that.

The companies would pay $150 million a year to run the federal tobacco program, which includes inspections, grading, market news, statistical studies and price-support administration. That program, however, cost just $17.3 million to run in the fiscal year that ended last September.

Crop insurance for tobacco is the major federal tobacco expense, but it was not included in the proposal. The insurance program cost $79.8 million in the past fiscal year. Smoking foes hope to kill it in the House next week.

The companies would also pay $150 million a year to set up a fund that would provide economic assistance to communities that are hit hard as tobacco sales dwindle with the decline in cigarette sales.

The companies would also have to contribute an amount each year equal to any decrease in quota poundage from the current quota multiplied by the average market price from the previous year.

These payouts would total about $14.9 billion for the first 25 years and $600 million a year after that.

That is four times a proposal that appeared in a last-minute draft of the tobacco settlement. Public-health advocates proposed a $150 million annual program to retire tobacco quotas and help farmers switch crops. It was pulled from the final settlement at the request of the tobacco companies.

To ensure that farmers will continue to have a market for their tobacco, the farmers' plan would set up annual minimum-purchase amounts. The companies would have to buy 600 million pounds of flue-cured tobacco and 450 million pounds of burley tobacco. The companies plan to buy about 575 million pounds of flue-cured tobacco this year. They are committed by contract to buy at least

475 million pounds of flue-cured tobacco, but that contract will expire in a few years.

In a novel section of the proposal, the federal government would be required to buy out farmers if quotas fall more than 40 percent below what they are now. At that point, "it will be deemed that the government has seized their property for the public good as in condemnation fashion."

The price-support program would end and farmers would be paid $14 a pound adjusted for inflation for their quotas. Quotas now sell for between $3 and $3.50 a pound. Farmers would also be paid for the loss in market value of their cropland.

Farmers and farm organizations would receive the same immunity from civil lawsuits as the tobacco companies. The settlement bars plaintiffs from bringing class-action lawsuits or collecting punitive damages for actions that occurred before the settlement takes effect. No farmers or farm groups have been sued, but Edwards said, "We'd prefer to be sure."

E6 - Tobacco States (VA)

Richmond Times-Dispatch

News Index
Feedback
Gateway Virginia

Sunday, July 13, 1997

Philip Morris USA payroll undergirds area economy

BY CHIP JONES
Times-Dispatch Staff Writer

The ties that bind Philip Morris USA to Richmond are as large as the cigarette company's Manufacturing Center off Interstate 95 and as small as the sign for Tammy's Auto Body & Paint shop on Hull Street Road.

"If it weren't for Philip Morris," said its owner, Pat Guthrie, 38, "I would never have opened a body shop."

Guthrie started her business by using more than $60,000 in profit-sharing funds from Philip Morris after she was laid off two years ago. Then, as she struggled to keep her business going, Philip Morris called her back last year. That paycheck helped to keep her business open and to avert laying off two employees.

When Richmonders talk about Philip Morris' domino effect in the local economy, they're referring partly to tobacco workers like Guthrie who have used top-dollar factory pay to bankroll small businesses of their own. Even anti-smoking forces acknowledge Philip Morris' financial importance to Richmond.

TOP SPOTS

America's largest cigarette company holds many distinctions in the Richmond area's economy. Some examples:

* **Top private employer:** 8,000 employees.

* **Largest factory:** The Manufacturing Center in South Richmond, the biggest cigarette plant in the United States, produces about 600 million cigarettes a day. It uses 1.2 million pounds of tobacco daily.

* **Biggest giver to United Way:** Pledges totaled $1.7 million this year.

* **Major taxpayer:** Cigarettes made in local plants generate more than $1 billion per year in federal excise taxes.

"I need that Philip Morris paycheck," said Guthrie, who has made cigarettes for 17 years. "I wouldn't have my house, I wouldn't be able to eat, and I wouldn't be able to have child care" without steady income from the area's largest private employer.

Guthrie's reliance on the company called "Uncle Phil" around town is by no means unique.

Philip Morris' 8,000 employees regularly command some of the best salaries in the area: Factory workers often make more than $40,000 per year; skilled mechanics and electricians bring in $50,000 or more; and senior managers sometimes break the $100,000 mark.

Money like that has a way of getting the attention of local business owners, from real estate agents to supermarket executives.

Pam Hogg, co-owner of the ERA Woody Hogg & Associates real estate company, said Philip Morris has "helped the economic growth so much. . . . If they left, it would affect every end of our economic base from house painters to grocery store employees. . . . I think it would be devastating."

When company programs help employees buy houses, those deals provide work for carpet installers, painters and other laborers. "It filters throughout the entire economy," she said.

James E. Ukrop, vice chairman and chief executive officer of Ukrop's Super Markets Inc., said that although tobacco is an emotional issue, "We can't overlook the human component and the leadership in economic contributions that Philip Morris and its employees make to our community."

Every job at Philip Morris, economists say, creates two jobs in the private sector -- some 17,500 in all -- that supply the cigarette-maker with paper, tobacco, computers and transportation.

Philip Morris is "a big ball with a lot of little balls floating around it," said Huggie Hart, who has worked for the company for 18 years.

That's a good reason for Washington and others to leave the tobacco industry alone, Guthrie said. Stiffer regulation and penalties might cause Philip Morris to decide " "OK, we're going overseas. . . . When that happens, there will be a whole lot of people out of a job. Your vendors, too. That's the fear I have," Guthrie said.

Hart and Guthrie are among the thousands of Richmond area workers whose lives depend on the company. They have been watching and waiting for news of their fate as Big Tobacco does battle in Washington.

The $368.5 billion settlement signed by the top five American tobacco companies last month has received a lukewarm reception in Congress and in the White House, where any pact must be passed and signed into law.

Locally, Philip Morris has not briefed workers about the landmark deal that offers tobacco companies some immunity from lawsuits in return for accepting the huge payout, advertising restrictions and some federal control.

The only official communication came in a letter from Geoffrey C. Bible, chairman and chief executive. Bible, a popular figure among local workers, asked them to trust him with their futures.

"There will be less rancor and more common ground with the community around us," Bible promised in his June 23 message.

But the future of Philip Morris is far from certain, recent interviews with employees show.

Will there be fewer jobs and less security?

Will the company plead economic hardship in upcoming labor negotiations?

And will the underlying purpose of the settlement -- to reduce the number of smokers in America -- inevitably lead Philip Morris to simply fold up its tents here and make cigarettes free from government interference overseas?

Those were some of the main questions posed by Philip Morris employees and union officials interviewed over the past two weeks. The company's management has been unwilling to comment about what might happen in Richmond.

Interviews with workers indicated a range of emotions -- from concern over job security and workplace concessions to a measure of hope that a federal tobacco law might end years of legal wrangling over smoking.

"Personally, I am concerned about them increasing the price of cigarettes by 50 cents to 80 cents a pack" to finance the multibillion-dollar payments, said Oscar Giles, financial secretary of the Bakery, Confectionery & Tobacco Workers Local 203-T, the largest tobacco union in Richmond.

"At that rate, people will cut back on smoking or go to another brand," Giles said.

Special contract provisions allow the company to cut jobs if domestic production levels fall below 345 billion cigarettes a year, he said. The company expects to make about 393 billion cigarettes at its factories in Richmond, Cabarrus County, N.C. and Louisville, Ky. this year, he said.

But if the settlement works, and cigarette sales take a dive, Giles said, "You could get to 345 billion real quick." It happened in 1994, when the company laid off 1,000 local workers, and could happen again, he said.

The Big Tobacco settlement comes at a sensitive time for the tobacco workers and the Machinists, the two unions that represent most of Philip Morris' 4,000-plus factory jobs.

Both bargaining groups will renegotiate contracts over the next year, starting Sept. 14 with the 3,461-member tobacco workers' union.

Philip Morris' huge stake in the settlement worries both labor groups. Under terms of the agreement, Philip Morris would pay 65 percent of the settlement fee, or $9.75 billion per year for the first 25 years of the deal.

With that kind of money on the table, union officials fear, the company might try to get workers to give up something in pay or benefits in the negotiations.

Late last week, Philip Morris signaled some belt-tightening when it said it would reconsider the size of its dividend to shareholders.

"Philip Morris might cry about it and try to plead poverty to some extent," said Don Barfield, chief steward for instrument electricians with the Machinists.

But the Machinists said they would point out that the tobacco settlement's harsh restrictions on marketing and advertising could lead to huge savings there.

"We want to make sure the company doesn't hold our feet to the fire," said Clyde Chalkley, a chief shop steward with the Machinists.

Stephen Spain, directing business representative for the Machinists, said, "As far as I'm concerned, this deal should not hurt the workers. It should help the workers."

One hopeful sign is the expansion at the Manufacturing Center, where the company has spent $478 million in improvements over the past year, according to union sources.

"I just can't believe they'd put that much money into a renovation and then shut it down," Barfield said.

The company is transferring about 200 workers from its aging Stockton Street plant in South Richmond to work on the new equipment in the new production bays, sources said.

One of the new cigarette-making bays captured the imagination of a headline writer for the tobacco union's newsletter: "Bay 8 Is The Future of Richmond, Virginia."

Many workers said they believe there's an inherent contradiction in the tobacco settlement. While the federal and state governments penalize the tobacco companies, they say, the governments also are counting on companies like Philip Morris to supply new, multibillion health-care funds.

"The government itself wants to get a bigger profit out of the tobacco industry, and this is a good way to do it," Chalkley said.

Philip Morris workers would like to see higher profits because many hold comparatively huge amounts of stock through various option and benefit plans.

Chalkley, for one, has been following news of Philip Morris' stock in the Investor's Business Daily. Other workers said they follow the ups and downs of their favorite stock through newspaper articles put on the bulletin board at the plant, and on the company's internal television network, known as "PMTV."

Barfield is bullish on Philip Morris.

"I think it's a good buy," he said. "I purchased $100,000 of Philip Morris stock just a few weeks ago. I trust the company."

Another employee who asked not to be named said he holds $500,000 of the stock himself and knows co-workers with twice that much. "There are a lot of millionaires in there," he said.

Staff writers Virginia Churn and Gregory Gilligan contributed to this article.

Tobacco: Up in smoke? | Metro Business | Business

Richmond Times-Dispatch	Feedback	News Index	Gateway Virginia

Richmond Times-Dispatch

Monday, July 14, 1997

Makeup of state tobacco task force draws frowns from health groups

Chip Jones
Tobacco

With the clock ticking in Congress on a proposed $368.5 billion tobacco settlement, the Allen administration recently appointed a task force to try to make sure Virginians aren't short-changed on Capitol Hill.

But some critics of the governor's tobacco policies think they've already gotten short shrift.

"I think it's a shame the public health community was ignored in this," said Kurt G. Erickson, executive director of the American Lung Association of Northern Virginia.

Erickson, who has lobbied for stricter laws on cigarette sales, was referring to the all-government makeup of Allen's tobacco task force announced July 2.

The tobacco troika consists of Attorney General Richard Cullen, Secretary of Commerce and Trade Robert Skunda and Secretary of Transportation Robert Martinez.

Anne Morrow Donley, co-founder of the Virginia Group to Alleviate Smoking in Public (known by its acronym, GASP), has written the governor to volunteer for service on the task force.

Of course, her positions aren't likely to curry favor with the governor.

For instance, she urged Allen on July 3, "On the eve of our Independence Day, GASP urges you to issue an executive order prohibiting smoking in any building owned or operated by the Commonwealth of Virginia . . .

"You have said you want to free Virginians from tyranny," Donley wrote. "Those who are forced to breathe environmental tobacco smoke are under the thumb of tyranny, and you can release them."

By last week, Donley said Allen had not responded to her latest plea for a smoke-free state government.

The governor has asked his task force to "communicate clearly to our congressional delegation" as it considers legislation that could place sweeping restrictions on cigarette and smokeless tobacco companies, including such local players as Philip Morris USA and Swedish Match North America (formerly the Pinkerton Group).

The settlement signed June 20 by the major cigarette companies and their legal adversaries around the country has drawn criticism from Congress to the White

House -- both of which must sign any legal pact into law.

Last week, President Clinton said a portion of the agreement that restricts the jurisdiction of the Food and Drug Administration "because some black market might be created seems to me a totally unreasonable restriction."

He was referring to the part of the proposal that would require the FDA to prove any restrictions on cigarettes would not create an illegal, black market.

Because the tobacco deal involves sticky issues of health policy, some wondered why Allen didn't appoint health experts to his task force.

Allen's spokesman, Ken Stroupe, defended the makeup of the tobacco task force.

Cullen, for instance, already has met with other attorneys general suing the tobacco industry, Stroupe noted.

Cullen also oversees the enforcement of a new law that put more teeth in regulating cigarettes sales by using Virginia Alcohol Beverage Control agents.

Stroupe said the attorney general will be on the lookout for any federal funds available from the settlement that could help the state pay for its stiffer enforcement.

"The governor said repeatedly that we're not in any way challenging the health aspects of this agreement," Stroupe said.

So far, the task force has not set any hearings and is not planning to issue a report, he said.

Mainly, Stroupe said, the group is ready to respond to anything in the expected tobacco legislation that could take a bite out of Virginia's economy.

"As we did with defense conversion, we're working on how (to ensure) the economy is not hurt so bad," he said.

Chip Jones covers the tobacco industry. He can be reached at (804) 649-6726 or receive e-mail at cjones@timesdispatch.com.

Tobacco: Up in smoke? | Metro Business | Business

Richmond Times-Dispatch	Feedback	News Index	Gateway Virginia

Richmond Times-Dispatch
News Index
Feedback
Gateway Virginia

Saturday, July 12, 1997

Marlboro Man sign ought to be saved

Steve Clark

Saturday Yard Sale . . . and now that smokin' Joe Camel is being put out to pasture, you have to wonder whether the Marlboro Man soon will be taken out of the advertising game.

Which poses an interesting question: If Philip Morris drops the cowboy, what will become of the Marlboro Man cutout that has stood tall for years atop the center-field fence at The Diamond?

"Nobody has told us to take that puppy down yet," said Bruce Baldwin, general manager of the Richmond Braves. "We haven't had a conversation about it with anyone."

If the icon comes down, what happens to it?

Here's a suggestion.

The Marlboro Man billboard at The Diamond should go to the Valentine Museum, which collects memorabilia related to the history of Richmond.

"That's a good idea," Baldwin said.

Maggie Tinsley, director of public relations at the Valentine, agrees. "We should have it," she said.

The Valentine has a number of items that once were Richmond landmarks, including the clock that hung on the first floor at Miller & Rhoads' downtown store and the sign (complete with running lights) from The Mosque, which has been renamed Richmond's Landmark Theater.

From a historical perspective, The Diamond's Marlboro Man sign deserves to be preserved as a 20th-century artifact. Stay tuned on this one.

ALMOST HEAVEN, THE DEVIL YOU SAY . . . My column suggesting that the time may be right to re-unify West Virginia and Virginia did not sit well with some readers.

An unidentified woman left the following voice-mail message: "I'm sure your West Virginia column was in jest. But, PLEEEEZE! Don't try to get that place back in Virginia. We don't need that."

A buddy of mine responded with the following written message: "The only way I would take back West Virginia would be if that noted West Virginian, Jay Rockefeller, ponied up $10,000 in reparations to each Virginian. And the

Richmond Times-Dispatch
News Index
Feedback
Gateway Virginia

Friday, July 11, 1997

Reynolds workers play waiting game

BY BOB RAYNER
Times-Dispatch Staff Writer

The ax fell swiftly at Reynolds Metals' Corporate Technology Center in eastern Chesterfield County.

Near the end of June, almost 300 employees at the research center gathered in an auditorium, where they were handed sealed envelopes. They were instructed not to open them until they returned to their offices.

The employees, including engineers and researchers, were to discover one of three basic messages: You still have a job; you have a job until a particular plant is sold; you are losing your job.

"It was awful," said a longtime Reynolds employee who was laid off. Sources inside the company estimate 150 workers lost their jobs that day.

The pain came quickly at the research center, which opened just last year. But for many of the 1,800 headquarters employees, finding out their fate has been an excruciating waiting game.

"We've still got jobs -- at least for now," an employee said recently as he and some colleagues took a lunchtime stroll near the company's West Broad Street complex.

Reynolds Metals Co. is the world's third-largest aluminum company, and it was the Richmond area's fourth-largest employer in 1996, with 4,300 employees. That includes about 585 who work at local plants sold this year. They are now employees of the companies that bought the plants.

The headquarters workers provide a variety of services to support Reynolds' aluminum and consumer-product operations -- accounting, marketing and human resources to research, environmental and corporate-support services.

Reynolds says the cuts are painful but unavoidable -- part of its effort to become a lean global competitor. In a June 17 letter to headquarters employees, Reynolds Chairman Jeremiah J. Sheehan wrote that members of management "deeply regret the impact of job losses on people's lives. . . . The overall goal of our restructuring is to create a stronger Reynolds Metals Co. with promising prospects for the future."

Reynolds won't say how many headquarters employees are losing their jobs, but sources inside the company estimate it could be 500. It's not surprising that some people are unhappy with the way the company has made the cuts.

"It's pretty disconcerting to see how Reynolds has handled this," said one Reynolds source, who asked not to be identified. "They've done a pretty crummy job. They said they would soften the blows, but it hasn't happened like that."

Some of the concern focuses on the length of the layoff period. "It's been on everyone's mind for eight or nine months," the source said. "If you cut a man's head off, the humane way is to use a guillotine, not a dull knife where you slice and slice and slice until his head finally comes off."

Bulletins about potential layoffs began appearing in December, the source said, adding that many employees have been kept in the dark. "The only way people have been informed of anything is by getting called into somebody's office and getting fired."

Lou Anne J. Nabhan, Reynolds public relations director, said Reynolds was caught in "a Catch-22. The company decided it was going to be open with employees from the onset of the process."

As a result, she said, "when you make disclosures to employees from the beginning, it extends the time between when employees know something is going to happen and when it actually happens."

Reynolds did not start with a specific cost savings, Nabhan said. Instead, it conducted a in-depth review of its operations, which generated $7 billion in revenue last year, and how many people it needed to run the restructured businesses. "That takes time."

She added that the company provided extensive training for managers and supervisors who would tell employees they were being laid off. "Many had never had to do anything like this before," she said.

Reynolds determined which employees to keep and which to let go by setting up a talent assessment pool to evaluate each employee's performance.

The company set up a job development center at the Koger Center in western Henrico County to help laid-off employees find jobs. It also has taken steps to make it easier for employees to retire if they are within 18 months of eligibility and to make it easier for some retirees to receive company-paid health-care coverage.

But no early retirement packages were offered to employees, Nabhan said. Instead, an improved termination package is available for employees who are let go between April and the end of this year and do not qualify for retirement.

To receive the enhanced package, employees must sign a release agreeing, among other things, that they will not sue Reynolds because they were laid off. In addition, employees must agree not to pursue claims based on the Age Discrimination in Employment Act, the Americans With Disabilities Act or Title VII of the Civil Rights Act of 1964, which bans employers from discrimination based on race or gender.

Normally, laid-off employees who have been with Reynolds for nine years or fewer receive a week's salary for every year they have worked at the company, with two weeks a minimum. Employees with 10 or more years of service receive three to six months' salary, depending on length of service.

The package adds six more weeks' pay for nonexempt workers and three or six months pay for most other salaried workers. Higher-level employees receive the richer package. Reynolds officers receive a full year's salary in addition to normal termination pay.

Employees with two to 10 years at the company also receive one year of company-paid health insurance. Employees with more than 10 years of service get two years of paid health insurance.

The termination package is not available to employees who leave to take jobs at other companies or to employees offered similar positions at Reynolds, one of its subsidiaries or a company that has purchased a Reynolds business.

Job cuts are only one part of Reynolds' efforts to improve its financial results. The company review began last fall and "will be done with one thing in mind -- how can we increase shareholder value," Sheehan told aluminum industry analysts in October.

The stock market has responded well to Reynolds' moves so far. After years of lackluster performance, the company's stock shot up about 40 percent since September 1996 and in June hit $70 for the first time in almost seven years.

In addition to the layoffs, Reynolds has sold or is preparing to sell factories, including an extrusions plant in Texas, a sheet metal plant in Alabama, a powder and paste plant in Louisville, Ky., and three facilities at its Bellwood complex in Chesterfield County.

It is also working on a venture with a Canadian company to own and operate Reynolds plants in Ontario and Quebec. And it has streamlined 20 operating units into six global business units. Sheehan is expected to disclose details about the restructuring and the total number of layoffs at a meeting with analysts in New York next week.

"We needed to undertake this review for several reasons," Sheehan said in April at the company's annual meeting. "Our financial performance -- including shareholder return -- has lagged our major aluminum industry competitors."

Reynolds' stock price hit a high of $70 in September 1990, but as recently as September 1996, it was languishing in the low $50s. That has changed dramatically since the company announced last fall its plans to restructure. Reynolds closed yesterday at $71.375.

By comparison, shares of Aluminum Co. of America, the industry leader, traded around $30 in September 1990. Alcoa closed yesterday at $77.8125. Since September 1990, Alcoa stockholders saw the value of their shares increase by about 160 percent. Reynolds shares essentially showed no price appreciation over that same period.

Shares of Alcan Aluminum Ltd., the No. 2 company in the industry, rose about 75 percent from 1990 to 1997.

Reynolds' earnings may explain, at least in part, why the stock has performed poorly. Earnings in the aluminum industry are prone to wide swings from year to year, mainly because of volatile pricing for raw aluminum.

After posting losses in 1992 and 1993, Reynolds' net income improved in 1994 and 1995 before plunging in 1996. Alcoa, by comparison, basically broke even in 1992 and 1993, excluding extraordinary items. It saw net income increases in 1994 and 1995, and a drop in 1996, but not nearly as dramatic as the one suffered by Reynolds.

Reynolds saw some improvement in this year's first quarter, with net income of $43 million, up from a loss of $7 million in the first quarter of 1996. Sheehan said a big reason for the improvement was a $24 million reduction in operating costs.

Although Reynolds' early efforts are paying off financially, some employees view the action differently.

"The key buzzword is stockholders' equity, and that's all that matters," said one source. "It doesn't matter that 500-some employees are losing their jobs. Wall Street has enjoyed it."

Metro Business | Business

Richmond Times-Dispatch	Feedback	News Index	Gateway Virginia