Thank you Senator Dole for holding this vitality important hearing. I am Sam Crews, a tobacco grower from Granville County and president of the Tobacco Growers Association of North Carolina. Additionally, my family owns and operates a Stabilization Marketing Center (formerly an independent warehouse) and a farm supply business. My remarks today will address all of these perspectives.

Many opponents have questioned the price of passing a tobacco buyout. Should we not in fairness argue the price of our failure to pass one?

Every tobacco farm in NC is a small family business. In my community of Oxford the average size farm will grow between 50 and 100 acres. These growers will modestly spend \$2,500.00 to \$3,500.00 per acre in Granville County buying fuel, fertilizer, crop protection inputs, labor, supplies, equipment, etc.

On our farm, my brother Jimmy and I operate as a partnership. Beyond our business operating expenditures we each spend tobacco income at a local grocery store, pay our local utility bills, buy clothes and other necessities for our wives and our school-age children. I have two children and Jimmy has four. We use tobacco revenues to trade vehicles with the local auto dealer and secure various loans from the local bank. We give tobacco profits in the church offering plate as well as donations to other important charitable causes.

All of these activities stimulate the local, rural economy in Granville County. All of these have been negatively impacted as our quota has evaporated. My point is that the tobacco buyout or lack of one reaches far beyond the farm.

The merits for achieving a buyout are that it would be the single largest contributor to saving the dismal economy of rural North Carolina.

Nearly a decade ago the Tobacco Growers Association (TGANC) advocated for a tobacco quota buyout realizing that in the future increasing world production occurring while our domestic costs of production were increasing would someday place us in a competitive disadvantage.

The future is now. The 1997 U.S. flue-cure crop approached 1 billion pounds. Two-thirds of that crop was produced in North Carolina. In 2004 we will grow the smallest crop in the history of the tobacco program. In fact the entire U.S. production this year will be nearly 200 million pounds less than we grew as a state just seven years ago.

In 1997 my brother and I grew 206 acres of tobacco. Our independent warehouse, Granville Warehouse sold 5.5 million pounds at auction with nearly 100% being purchased by traditional customers. The future for growing and marketing tobacco seemed consistently dependable and mostly optimistic.

This year we are reduced to 145 acres which u it were not for purchasing quota or renting of neighbors pounds who were going completely out offarming we would have been less than 100 acres.

As for our warehouse, u it were not for serving as a Stabilization Marketing Center we would be completely out of that business. This year we may sell around 3 million pounds as a marketing center in a building we built to potentially accommodate three times that volume.

How did we arrive in this seemingly irreversible situation? In 1998 a congressional effort to pass a buyout was overloaded, largely due to FDA regulatory efforts and a massive price tag. The '98 effort, which we refer to as the McCain bill was never passed. What occurred next none of us could have imagined would ever happen.

In 1999 the major cigarette manufacturers entered into the Master Settlement Agreement (MSA) in order to avoid future individual state litigation. The price of the MSA was over $250 billion. Obviously it was funded on the backs of cigarette smokers who chose to endure an undisclosed per pack increase.

The option for smokers has been to stop using tobacco but in more instances use a cheaper made, lower retail cost product. Often that product contains little to no U.S. grown leaf, which of course adversely affects our farms.

The option for cigarette makers was to find ways to lower the costs of making a pack of cigarettes. Reports indicate corporate down sizing and mergers as one management practice. Many unot all of them have sought cheaper, offshore tobacco resulting in a sharp and unprecedented decline in the U.S. quota.

All across rural North Carolina the absolute costs of the settlement has been thousands of displaced tobacco farm families. Indeed thousands of growers have witnessed business foreclosures and today are struggling to make ends meet. Additionally the once thriving auction warehouse business like the one my family entered into has been reduced to little more than a dozen operators in the nations largest tobacco producing state.

Our growers have scrambled to invent new ways to economize their operations. But the margins simply do not exist. For nearly every grower the 2004 crop will be the smallest ever produced. Yet, the 2004 crop will be the most expensive I have ever grown on my farm in Oxford.

Consider the recent spike in various input costs. Fuel is at a record high. Adverse wage rates for
guest workers are now over $8 per hour. Many growers find themselves in an escalating rental situation for leased tobacco pounds paying nearly twice the rental rates of 1997. Finally, the marketing assessment fee is double what it was just last year at 10 cents.

If the aforementioned erosion of my chance for profitability isn't enough to test my optimism then the last week's newspaper report quoting Dr. Blake Brown did. Dr. Brown predicts we could witness as much as a 30% reduction in quota for 2005 ifwe maintain the status quo. Senator, I, nor any of my neighbors can endure such a catastrophe.

Everything that I have described has occurred in just seven years. The tragedy is that growers did not create the current plight because of poor business decisions or bad management practices.

Unless sweeping changes are implemented many more will unnecessarily succumb to the unprecedented and unpredictable increased pressures of simply trying to stay in business.

Our challenge is not too simply rectify flawed policy. Ours is a complex arrangement of situations bound together by the federal tobacco program. The program has served us well since
the 1930's but in today's global marketing economy it is now a deterrent to buying U.S. grown leaf. It is widely considered a relic whose previous merit is obvious and appreciated, but whose current incarnation is crushing us in the world market.

We have been greatly diminished as the world's supplier of premium grown tobaccos. Customers say that our leaf is too expensive relative to the world market. As a producer of that leaf I am confident that it is worth its price and I am proud to deliver that value. However as a businessman I must pay close attention to the chacteristics my customer values. We are dangerously approaching the reality of becoming a niche leaf producer for one major manufacturer.

I become increasingly disturbed by the number of proud, yet, broke tobacco farmers that I personally know. For the past two years many of them "hung on" hoping for a buyout. A buyout that would afford the opportunity to address debt and either remain profitable or transition away from growing tobacco. Sadly, they remain indebted and completely out of the tobacco farming business.

Absent the achievement of an $8 and $4 tobacco buyout this spring I too may join the ranks of unemployed former tobacco farmers. For too many of us time has already run out. Please do all that you can to advance and achieve the buyout in the next several months.

On behalf of all NC growers I thank you for your leadership and attention on this matter.