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**REGISTER
TODAY**

**CBT Annual
Meeting
January 16, 2015
in
Owensboro, KY**

see page 3

Time to Change the Conversation

It feels like the growers have the same conversation every year when it comes to the tobacco market. Will the industry survive with the decrease in cigarette consumption? It is an important question to discuss, but also an increasingly tedious one in light of the fact that everyone except the farmer appears to be thriving in today's market.

While the long-term expectation is that the consumption of cigarettes will continue to decline worldwide, a recent report from Bonnie Herzog, managing director of Beverage, Tobacco and Convenience Store Research at Wells Fargo Securities, states that the sale of premium cigarettes is not down as expected. Not only are premium cigarette sales not down, but the prices for these premium products has gone up.

On November 11, 2015 Philip Morris USA instituted a \$0.07 per pack wholesale price increase on its core cigarette brands. The following day Reynolds raised the price of its core brand by \$0.07, ITG quickly followed announcing a \$0.07 per pack increase on Winston, Kool, Salem, and Maverick effective November 13.

Herzog in a November 16 report stated that the recent price increases on cigarettes is, "A Positive

For the industry." She explained that the price increases are positive and demonstrates the industry still has very strong pricing power. She went on to say that, "Given that underlying cigarette industry consumption will likely revert towards its long-term trend of declining, pricing remains a critical driver of revenue and earnings growth."

This strong pricing power of the companies, coupled with the recent million dollar mergers and acquisitions, such as Reynolds buying Lorillard and then selling off brands and PM USA selling Miller Beer are also having positive impacts on the companies' bottom lines.

Reynolds also recently announced that its board of directors declared a quarterly cash dividend of 36 cents per share on the company's common stock, payable January 4, 2016, to shareholders of record on December 14, 2015.

Herzog in a Tobacco Industry Trends presentation on November 14 highlighted that currently the industry is in a "Renaissance in Combustible Cigs." She credits the trend to stronger tobacco consumer given better employment levels and greater disposable income, the "trading up" to combustible cigs from smokeless tobacco

A Year in Review: The Council Update

products, dual use with e-cigs/vapor, and consumers being disillusioned by e-cigs, switching back to combustible cigs.

"We expect favorable cig volume trends to continue next year, down around 2-3% in 2016, still above historical average decline," stated Herzog in a Wells Fargo report on November 15.

Yet in this Renaissance where is the farmer?

In all the industry reports there is nothing that mentions the impact of current market trends trickling down to the farm level. In fact all we are seeing at the farm level is atrophy.

Cuts in contracts from all the main players the last few years have led to a loss of growers and in turn a loss of pounds being produced. The tobacco farmers that still remain are facing lower prices for their product, while also being faced with to increased gap requirements by the companies. Farmers are in fact at the bottom of the food chain, and no one in the industry off the farm seems to care.

My question to you as growers is "what should we do about our role?" Do we just sit back and accept our bottom feeder level in this new paradigm? Do we continue to

have the same meetings with the same conversations?

I believe it is time for us to change the conversation. It is time for the farmers to quit bemoaning our role and take action. We need to work together to identify ways to make the companies more socially responsible to the growers and to the customers. It is time to make sure the successes in the industry do more than just line the pockets of investors.

The Council for Burley Tobacco is the voice of the tobacco farmer, but to be the voice of the growers we need to know what voice you want the organization to have on issues. Do you want the Council to just use your check-off funds for production research and accept the status quo for the farmer in the industry, or do you want us to be an advocate for you and change the conversation?

We want to hear from you!

Send your comments, suggestions, and questions to the Council for Burley Tobacco board of directors at councilforburleytobacco@gmail.com or visit the comment page on our website at the link below. I challenge the board to take up these issues for the future of the burley tobacco farmers in our country.



The Council For
Burley Tobacco



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Become an active member in the Council for Burley Tobacco!

Visit the Council's webpage to learn about the Council's board members, programs, research efforts, and educational opportunities. Visit the Council's Facebook page and join the conversation on the issues important to our industry.

www.councilforburleytobacco.com • www.facebook.com/CouncilForBurleyTobacco

Burley Tobacco Annual Meetings January 15-16, 2016

The Council for Burley Tobacco invites growers to attend the Council's annual meeting and luncheon on Saturday, January 16 during the Tobacco Expo/ Agriculture Industry Trade Show at the Owensboro Convention Center.

The Tobacco Expo and Ag Industry Trade Show will open on Friday, January 15 at 11:00 a.m. The Burley Tobacco Growers Cooperative Association Annual Membership Meeting will begin at 3:00 p.m. and all members are invited to attend.

On Saturday, January 16 the morning activities will kick off with the Ag Industry Breakfast in the Exhibition Hall. Following the breakfast tobacco growers can attend the Production Seminars and GAP trainings, see page 5 for information on the GAP training. The Council for Burley Tobacco annual meeting and luncheon will begin at noon in West Ballroom E. All burley growers are welcome to attend the meeting and luncheon.

Registration for the Tobacco Expo/Ag Industry Trade Show is free, but it is required to attend all burley meetings and enjoy the Council's Annual meeting and luncheon.

The deadline to pre-register for the Tobacco Expo and all meetings is Friday, January 8. To pre-register contact Kathy Sanford at Kathy@burleytobacco.com or call (859) 252-3561.



**2016
Tobacco
Expo**



Friday, Jan. 15

**Ag Industry Trade Show
& Tobacco Expo Opens**
11:00 a.m.

**Burley Tobacco Growers Cooperative
Association Annual Meeting**
3:00 p.m.
West Ballroom D

Saturday, Jan. 16

Ag Industry Breakfast
7:00 - 9:00 a.m.
Exhibition Hall

**UK Production Seminars &
U.S. Tobacco GAP Trainings 2015**
9:15 a.m. - Noon
West Ballroom D

**Council for Burley Tobacco Annual
Meeting and Luncheon**
Noon - 1:30 p.m.
West Ballroom E

**All times are Central Standard Time*

December 2015

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CBT

2016 Changes in Tobacco Federal Crop Insurance

In 2016 farmers will be facing new special provisions in federal burley tobacco crop insurance program. The Council is working to create a resource with a complete list of changes, but for now here are a few highlights you need to know to prepare for in the upcoming growing season.

1) All burley tobacco has to be

out of the field and in the barn by the 20th of October.

2) Conservation Compliance will be in effect for 2016. Growers will HAVE to be in compliance with FSA and NRCS for all land in crops that is insured and for cover crops, This will effectively require farmers to certify acres and fields on maps at the FSA office.

3) Growers will have two choices for any tobacco that goes through quality adjustments and is graded with N or SCRAP. They can destroy all of it, destruction must be witnessed by an adjuster, and receive 100% indemnity on that loss, or they do not destroy and choose to sell and get no adjustment from the federal program.

Learn more about the federal crop insurance program at www.rma.usda.gov

Check-off Funds at Work

Investing in the future of the Burley Industry

The Council for Burley Tobacco is responsible for the collection and investment of the Kentucky Burley Tobacco Check-off funds in research, education, and promotion projects to benefit the burley tobacco industry. Since the grant program began in 2013, the Council has invested over \$381,000 in burley tobacco research and education projects. Learn more about the Council's grant program and read completed grant reports under the Grants tab on the Council's website.

Grant Report: Burley Tobacco Genome Project

By: David Zaitlin, Kentucky Tobacco Research and Development Center

Modern genomic techniques allow scientists to sequence, assemble and analyze genetic information. In 2002, the first tobacco genomics project was undertaken at North Carolina State University with \$17.6 million in funding from the tobacco industry. But with next-generation sequencing platforms now available, these large genome projects are both feasible and affordable.

When this tobacco genomics project was first initiated with partial funding from the Council for Burley Tobacco, there was very little tobacco genome sequence available to the public. Since that time, however, the draft genome sequences of three distinctive tobacco varieties - TN90 (burley), K326 (flue-cured), and Basma Xanthi (oriental) - were published by scientists at Philip Morris International. Earlier this year, all of these genomes, in addition to the genome sequences of the *Nicotiana* species *N. sylvestris* and *N. tomentosiformis* were made available to the public through the Sol Genomics Network.

For this project, Kentucky Tobacco Research & Development (KTRDC) scientists have elected to determine the genome sequence of the variety TKF2002, an elite cultivar

of burley tobacco. TKF2002 is a good choice for a genome project, because it contributes excellent agronomic performance and disease resistance to commercial burley hybrids that burley tobacco farmers grow. In addition, the University of Kentucky/Tennessee tobacco breeding program is working with lines derived from a cross of TKF2002 and K326; successful completion of the TKF2002 genome project will mean that the genomes of both parental inbred lines will have been sequenced.

The goal of this project is to produce a high-quality draft sequence that can be used for marker and gene discovery in TKF2002. Scientists at KTRDC and the University of Kentucky are developing molecular markers that are linked to important disease resistance genes in tobacco. This is being done so that these genes can be rapidly moved into other burley cultivars by backcrossing, which will be a direct benefit to Kentucky tobacco producers.

There are some problems in developing molecular markers for genes that originated in other species of *Nicotiana*; the chromosomal regions transferred into the tobacco genome are of unknown size, and

marker loci within these regions tend to segregate together, so there is no way to know how physically close they actually are to the genes of interest. Having the genome sequence of a burley tobacco line that carries many of these "alien" disease resistance genes will allow KTRDC researchers to identify the exotic chromosomal segments and to rapidly develop closely linked markers that are specific to these important genes. Because it is possible to accurately predict gene sequences using computational methods, we may be able to identify some of the actual disease resistance genes, which can then be used in molecular marker development.

In addition, sequencing the TKF2002 genome will add to the genomic resources for this crop, and will be unique to the University of Kentucky. Because there are chemical constituent issues specific to burley tobacco, being able to identify some of the genes involved could prove to be beneficial in the current regulatory climate. Thus, the support from the Council is being used to build tools necessary for burley tobacco breeding and to prepare burley tobacco farmers for changes in the tobacco industry due to potential regulation.

2014-2015 Season Check-off Payments

BTGCA
\$5,831.18

CC Burley Growers, LLC
\$3,601.33

Cental District
\$3,394.94

Clays Tobacco
\$3,947.13

Double M
\$2,673.71

Fair Deal Tobacco
\$2,245.30

Farmers Warehouse
\$3,969.88

Hail & Cotton
\$10,925.05

JTI Leaf Services
\$21,681.85

King Tobacco
\$1,355.09

**Philip Morris
International**
\$55,500.91

Philip Morris USA
\$44,580.06

RJ Reynolds
\$15,467.03

US Smokeless
\$2,144.73

TOTAL \$177,318.19

Burley Partner Updates



The 2016 GAP grower training will be offered at the Tobacco Expo in Owensboro and at other meeting dates and locations that are currently being scheduled. Last year training was offered at over 120 meetings, with over three fourths of them being held in burley growing areas. Growers are expected to attend one training meeting in 2016 to be in compliance with the GAP program guidelines.

The following information will be helpful to growers as they plan their attendance to the upcoming GAP meetings:

1) Growers planning to attend GAP training need to be sure they have their GAP grower ID card in order to have their attendance scanned and recorded. If growers do not know their grower ID number they can contact GAP Connections at 865-599-0413.

2) Replacement of a lost grower ID card has a \$13 fee for printing and shipping.

3) If growers want to avoid this fee, there are two other options. Both of these options require the grower to know their grower ID and password. If they don't have either they can contact GAP Connections.

- Print a paper copy of the card by accessing their grower profile through the GAP Connections web site (www.gapconnections.com).
- Download the GAP Connections Grower App onto their iPhone or Android smart phones, which includes an electronic version of their grower ID card. More information on this option is available at the GAP Connections webpage at www.gapconnections.com under Resources.

For growers looking for a GAP training meeting, a list of public meetings will be updated on the Calendar at the GAP Connections web site as meetings are scheduled.

The GAP Connections Annual Meeting to be held January 14 in Nashville, Tennessee. For more information visit www.gapconnections.com.



Agriculture Workforce Management Association wants to remind growers it is time to start labor planning for the 2016 season. All growers need to submit H-2A applications 75 days before the date they need labor. For example if you need your workers by March 15, we need your application no later than January 1. If you need your workers by April 1, they need your application no later than January 15.

The Adverse Effect Wage Rates for 2016 in Kentucky and Tennessee rates will be \$10.85 per hour. To learn more about H-2A issues or to download an H-2A application visit www.awmalabor.com.

The Council For
Burley Tobacco



Council for Burley Tobacco
PO Box 910546
Lexington, Kentucky 40591

Become a Member

The Council for Burley Tobacco is a grower organization that was established to represent the interests of the burley tobacco grower in all segments of the burley industry, encourage and develop a better understanding between burley producers and the general public, and provide a forum in which all matters of the tobacco industry may be discussed.

All burley tobacco producers are eligible for membership in the Council for Burley Tobacco. In addition, established organizations and associations constituted with a membership with a direct interest and concern in burley tobacco production are eligible for membership, but the representatives for these organizations and associations must be active burley tobacco producers or the President of the organization or association.

To sign up as a member of the Council for Burley Tobacco visit the website below and click on the button to become a member. Also be sure to join the burley conversation by liking the Council on Facebook.

www.councilforburleytobacco.com

The Council For
Burley Tobacco



Annual Meeting

**Saturday
January 16, 2015**

12:00 p.m. CST

**Owensboro
Convention Center**

***Council Members
MUST register
for the meeting to enter the
Ag Industry Tradeshow
and enjoy the
Council Luncheon.
For registration information go
to page 3 of the newsletter.***

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