The SMOKING Section

To the people of the tobacco industry, the war against smoking is a war against life

By WILLIAM HOFFER

War was declared on a Saturday so as to minimize the effect upon Wall Street. At 7:30 A.M. on January 11, 1964, two copies of a 387-page, brown-covered report were hand delivered to the West Wing of President Lyndon B. Johnson's White House. At 9 A.M., accredited press representatives were ushered into a State Department auditorium to await a mysterious announcement.

Then the doors were locked. For the next two hours, no one was allowed in or out. Each news person was issued a copy of the report. The room fell silent for 90 minutes as everyone studied the papers. At 10:30, Surgeon General Luther L. Terry fielded questions.

Only then were the doors opened and the news spread across the land. The first Surgeon General's Report on Smoking and Health was the government's official recognition that cigarette smoking is a cause of cancer and other serious diseases. The report declared, "Cigarette smoking is a health hazard of sufficient importance in the United States to warrant appropriate remedial action."

The tobacco industry would never be the same.

From the earliest days, tobacco companies sold their product in a variety of ways, including its importance as an American industry. Here, in a 1906 illustration, R.J. Reynolds makes clear the size of its smokestack impact on its home state of North Carolina.

SOMETIMES IT SEEMS as if every Tar Heel grew up on what was, to hear him describe it, a "terbaccer" farm. Bruce Flye of Battleboro, North Carolina, is such a Tar Heel. At the age of 16, long before the Surgeon General's Report, Flye assumed management of the family tobacco farm, and he has been earning his livelihood at it ever since.

Now, driving his 15-year-old, lemon-yellow Cadillac ("my pickup truck") across the rutted

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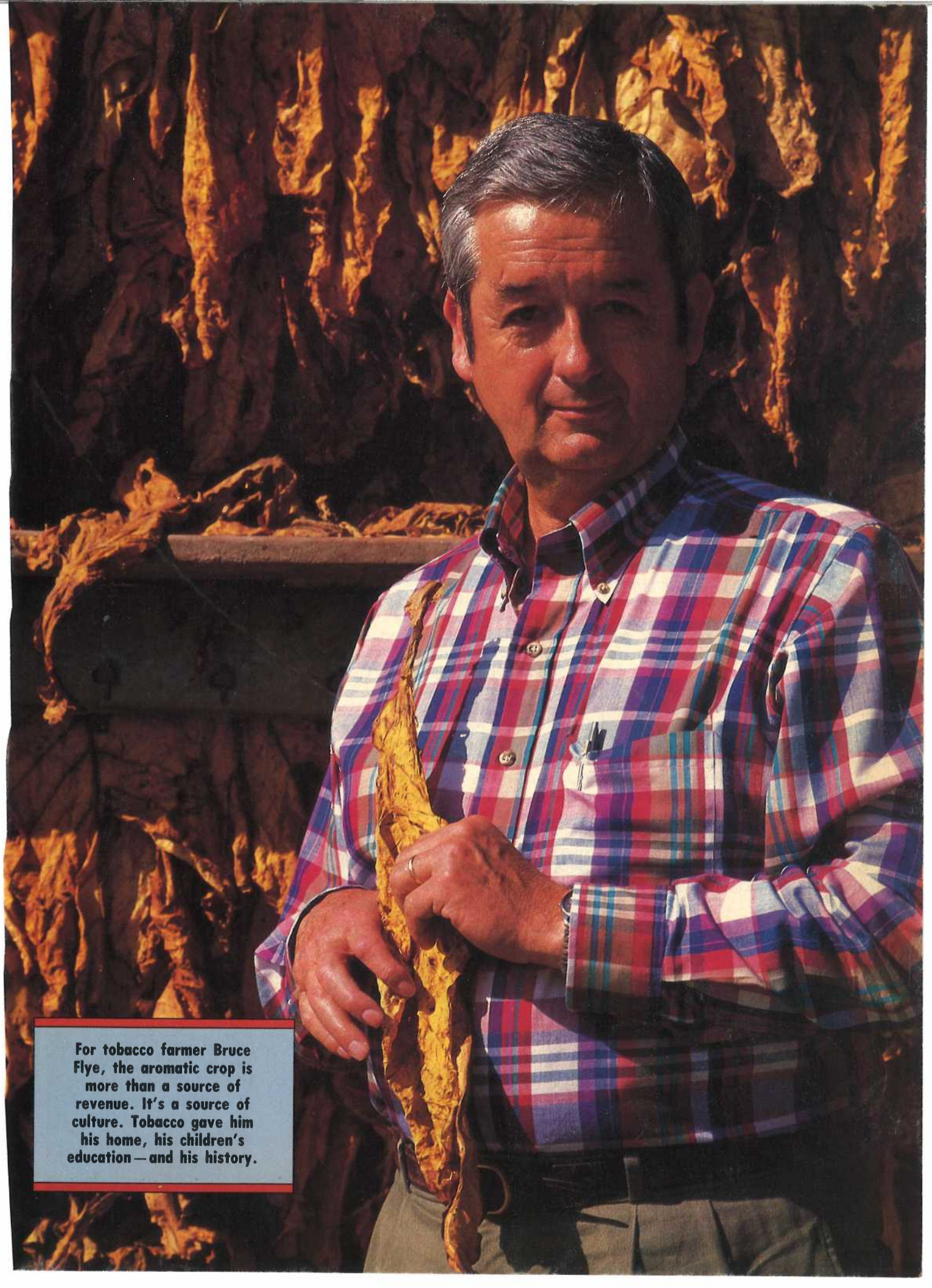


For tobacco farmer Bruce Flye, the aromatic crop is more than a source of revenue. It's a source of culture. Tobacco gave him his home, his children's education—and his history.

lanes crisscrossing a portion of the flat, dispersed acreage that he calls Edgemont Farm, Flye muses about an agricultural product that the just retired Surgeon General, C. Everett Koop, called America's number one health problem: "I built my house with it. I sent my three children to college with tobacco money. It's meant a lot to me and thousands of others."

One hundred eighty thousand others, to be exact, farmers in 23 states who make tobacco the sixth largest cash crop in the nation (behind corn, soybeans, hay, wheat, and cotton). North Carolina is the runaway production leader, growing, in 1987, $738 million worth of tobacco. Kentucky was second at $514 million. South Carolina, Tennessee, Georgia, and Virginia all grow more than $100 million worth annually.

As Flye steers his Cadillac through Battleboro (population 400), he chances to pass the Methodist church he attends. "Tobacco helped move that church off the corner and remodel it," Flye says. "Half of the landowners in that church are dependent upon tobacco for their income. You can count 12 or 14 widows there, and some retired men, and it makes you think, if they don't get this income, what will happen to your church?"

Time was, the venerable weed was a symbol of a hard-driving nation. Tobacco was a gift bestowed upon the early colonists by the Indians. George Washington and Thomas Jefferson were tobacco planters. Henry Clay's trademark was the flourish of a silver snuffbox. Woodrow Wilson's Vice President, Thomas Riley Marshall, while presiding over a Senate debate on national priorities, made his own priorities clear by proclaiming: "What this country *really* needs is a good five-cent cigar!" Marshall never achieved the distinction of having a cigar named after him, but William Howard Taft and Franklin D. Roosevelt did. In 1920, at 2 in the morning, Warren G. Harding was selected as the Presidential nominee of the Republican party by political bosses meeting in what the press described as a "smoke-filled room," a term that soon became synonymous with political power.

Then it happened, the nightmare scenario for any industry. Certain members of the U.S. government settled upon tobacco as the enemy.

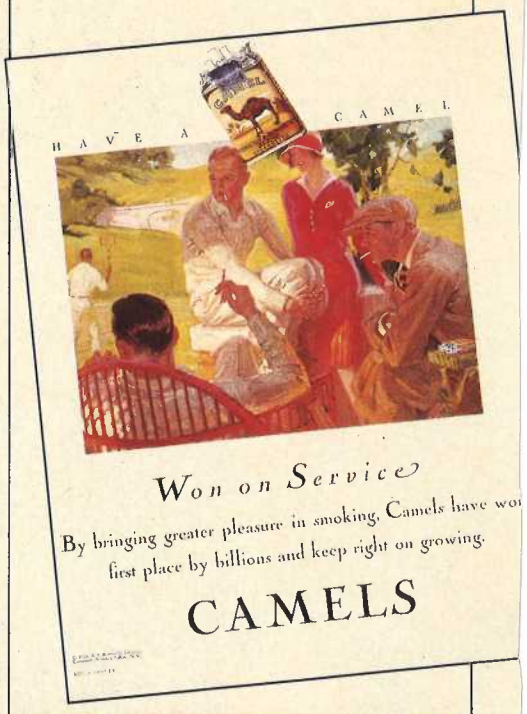
The immediate effect was not readily apparent. In 1965, the year following release of the Surgeon General's report, per capita cigarette consumption for Americans 18 years and older reached a record 4,345. But the battle was joined. In 1965 Congress passed the Federal Cigarette Labeling and Advertising Act. Four years later the act was strengthened. Cigarette packs had to carry a health warning; cigarette advertising was banned from the broadcast media. Over the last two and a half decades, the tobacco habit has become more and more difficult to defend.

The anti-tobacco crusade has escalated over the past eight years, synchronized with the nation's growing health consciousness and the reign of Surgeon General Koop. Attacks have come on many fronts. Lawsuits have popped out of the woodwork, grievous stories of widows and widowers who sought to hold the tobacco companies liable for wrongful death. There are proposals afoot to double or triple the excise tax on cigarettes in a none-too-subtle attempt to price the product off the market. The latest push is to classify nicotine as a drug and thus bring it under the aegis of the U.S. Food and Drug Administration.

In the early days of the anti-tobacco movement non-smokers merely wanted smokers to kick the habit for their own good. Today, many non-smokers have become anti-smokers, people who refuse to tolerate a wisp of tobacco by-products in offices, airplanes, restaurants, and, it seems, anywhere else within the confines of the planetary atmosphere.

Twenty-five years after the war began, the government pats itself on the back with statements and statistics such as these: By 1987, per capita consumption had dropped to 3,201 cigarettes,

William Hoffer's latest book, Freefall, *co-authored with Marilyn Mona Hoffer, was published in April by St. Martin's Press.*



In the 1920s, if you were sophisticated, you had to have a Camel cigarette hanging from your lip—or so the advertisers for the brand informed a generally accepting public.

Prince Albert in a can was promoted as the smoking choice of the established businessman who wanted people to know he wasn't simply on the way to the top, he had arrived there a long time ago.

PHOTOGRAPHS COURTESY OF R.J. REYNOLDS

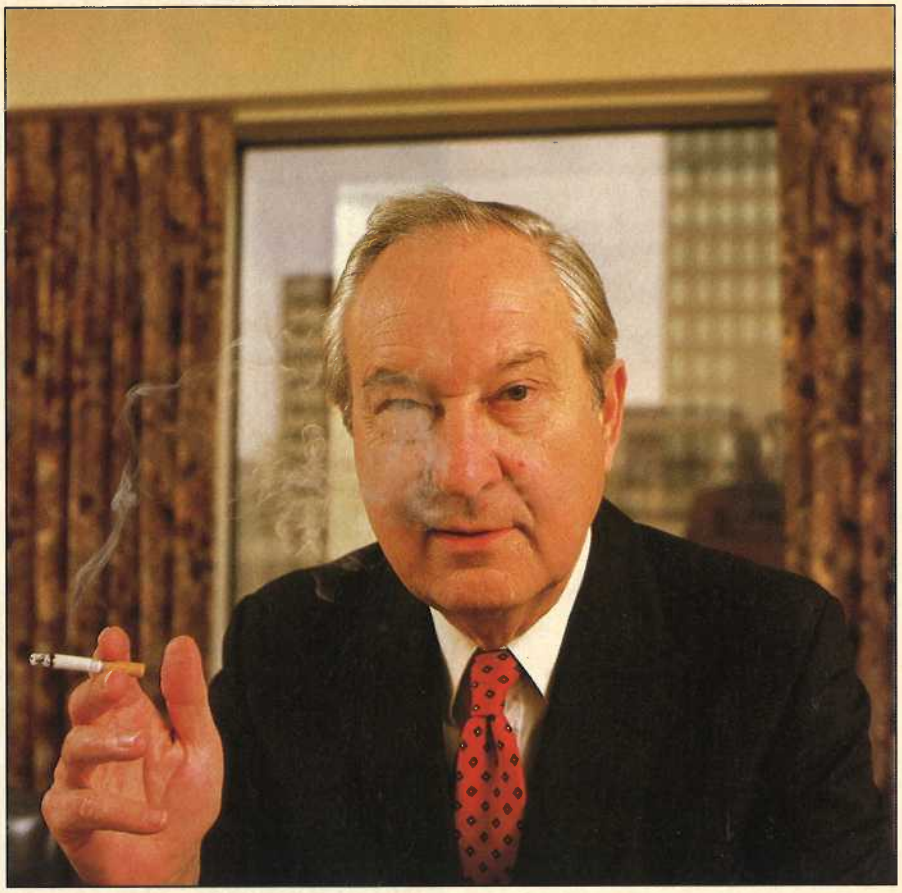
a decline of roughly one percent per year over a quarter of a century. Nearly half of all living adults who ever smoked have now quit. Smoking prevalence in men had fallen from 50 percent in 1965 to 32 percent in 1987.

An executive summary of the most recent update of the Surgeon General's Report claims, "These changes represent nothing less than a revolution in behavior....This achievement has few parallels in the history of public health. It was accomplished despite the addictive nature of tobacco and the powerful economic forces promoting its use."

Koop proclaims, "Today, thanks to the remarkable progress of the past 25 years, we can dare to envision a smoke-free society. Indeed, it can be said that the social tide is flowing toward that bold objective." And again: "The ashtray is following the spittoon into oblivion."

If that is so, what is to become of the Battleboro Methodist Church?

BRUCE FLYE QUIT smoking long ago, when he was in his early 30s, after cigarettes started to irritate his throat, but he still sits in the smoking section of an airliner whenever he flies, as a matter of quiet protest. He is a soft-spoken, gentle man, but there is fire in his voice and smoke in his eyes when he warms to the topic. "If we do this to tobacco," he speculates, "will we do it to other commodities? Will we eventually one day tax eggs because of cholesterol? Will we tax red meat because of high blood pressure? I don't think this is the role our government should play. Some decisions need to be left up to the people."



Flye contends, "The people they're really hurting are the grass roots people. Manufacturers have diversified into profitable ventures, but for tobacco growers, it's very limited as to what you can diversify into. There's nothing—there's absolutely nothing—to take the place of tobacco."

As for the health issues, Flye refuses to enter that debate; it is not, he says, his area of expertise. "All I want people to know is how these things affect the people who make their living growing tobacco. I work seven men full time, and they all enjoy smoking. If you jack these prices way up, you take away one of the few pleasures they have. If I lost tobacco, I'd have to seriously think of cutting those seven men down to two."

The scion of a family whose roots run eight generations deep in the tobacco industry, Horace Kornegay has served as a Congressman and as executive director for the Tobacco Institute. Throughout his career he has held strong to one belief: Tobacco should be allowed to survive and flourish.

Flye farms some 900 acres, and only 65 of those are devoted to tobacco; he grows far greater quantities of cotton, peanuts, corn, and soybeans, but tobacco is his prime crop. The difference between tobacco and corn, he says, is like the difference between a Mercedes and a Volkswagen.

From 1975 to 1986, Flye and his colleagues saw their acreage and allotments decline steadily. Between 1983 and 1986, tobacco sales declined by 20 million pounds. The specter of depression threatened the tobacco growers in the piedmont regions of the Carolinas and Virginia, prime growing land for flue-cured tobacco, and in the verdant bottomlands of Kentucky and Tennessee,

(Continued on page 67)

By the 1940s, smoking had taken on patriotic overtones. Men in the military received free packs of their favorite cigarettes, which helped assure that when they returned to civilian life, they would return smoking.

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TOBACCO

(Continued from page 29)

where burley is the premier crop.

Then something happened that was, perhaps, unforeseen by nearly everyone. Over the past two years demand has grown. Flye cites two reasons: One, the industry is exporting more tobacco, both in raw form and as manufactured cigarettes; two, there are limits on imports. "Even though domestic consumption has gone down, demand has gone up, and a lot of knowledgeable people say this will continue," Flye reports.

Indeed, last December the U.S. Department of Agriculture announced an 18 percent increase in the 1989 growing allotments for flue-cured tobacco and a 23 percent increase in burley allotments. If the weather cooperates, 1989 is going to be a good year in the tobacco fields.

Flye seeded his crop in early February, calculating carefully to take advantage of the additional 18 percent he will be allowed to produce this year. He mixed the miniscule seeds with nitrate of soda and added Pepsi-Cola to make seed and fertilizer adhere. The mixture was sown by hand on a couple of plots of his best growing land, then covered with long strips of plastic, held down by old tires. He needed only 11 ounces of seed to germinate the plants to supply his entire 65-acre crop.

Mid-April to mid-May is planting time. The seedlings must be hand-pulled from their beds, gently, so as not to disturb the roots. Each eight- to 10-inch tall seedling is transplanted by a wheel device that sets them 23 inches apart.

Throughout the summer, Flye irrigated his crop to speed up its growth. "That's no fun," he says. "You do it at night when the wind's not blowing and the sun's not burning off the water." The large irrigation guns cost about $18,000 apiece.

All of this toil is merely prelude to the critical six- to seven-week window of harvest time. The broad, full tobacco leaves must be picked in dry weather, when they are ripe, but before the first frost. Migrant workers arrive in the heat of July to help. They make four or five back-breaking passes through each field, hand-picking leaves from the bottoms of the plants, working their way higher each time they pass through the fields. The most valuable leaves, the top ones, are picked last.

Harvested tobacco is then hung in drying barns, cured for weeks or months by LP-gas heaters (some others use fuel oil) until the green leaves have turned a bright orange-brown. One barn holds about 2,500 pounds, the yield from a single acre of land.

Selling is an art. "You have to watch the market," Flye says. "When all the companies are out there looking for it, that's when we'll sell it." He will haul his stock to the auction barn in Rocky Mount, about seven miles from his farm, and sell anywhere from one to five barnsful at a time. He will listen carefully to the auctioneer's chant and watch the actions of the buyers from all the major tobacco companies, as well as agents for foreign buyers. The tobacco is sold in approximately 2,500-pound lots, and Flye calculates as quickly as the auctioneer speaks: "If you get a dollar-and-a-half, then you've got $3,750. Get a dollar-seventy, you've got over $4,000."

Multiply the price by 65 acres and it adds up to solid money, but there are good years and bad years. In sum, Flye does not spend an hour a day on the phone with his stock broker.

After Flye pockets his money, the tobacco is still two or three years away from becoming cigarettes. The purchasers clip away the large central stem of each leaf, then shred the remains and put them into wood-staved barrels or cardboard boxes that are stored in warehouses throughout the South, near the growing fields.

In the fullness of time the bales are shipped to the manufacturing plants. Some 70 percent of the domestic product makes its way either to Richmond, Virginia, or Winston-Salem, North Carolina, manufacturing headquarters of the two industry giants.

THE TINY TOWN of Winston hadn't yet hyphenated itself to neighboring Salem back in 1875 when Richard Joshua Reynolds migrated from No Business Mountain, Virginia, to open what was called the "Little Red Factory." In his first year of operation, R.J. Reynolds produced 150,000 pounds of chewing tobacco, but he really hit his stride in 1913 when he introduced Camel, the first cigarette to become a major national brand.

Today the company is called RJR

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Nabisco, because it produces cookies and crackers as well as cigarettes. It controls 32 percent of the market, second only to Richmond-based Philip Morris, and a few statistics speak to the fact that tobacco is still king in Winston-Salem.

First and most telling, RJR was recently the target in a very pricey corporate takeover. British investors saw enough inherent strength in the company to be willing to pay more than $25 billion for it. And be assured that they weren't buying cookies. Tobacco brings in almost two-thirds of all company revenues.

Second, RJR is completing a $2-billion modernization program. Its new Tobaccoville Plant is the largest and most automated cigarette manufacturing facility in the world; this isn't the sort of expense incurred by a company that perceives its immirfent death.

Bruce Flye's tobacco comes here in those barrels or boxes of shredded leaves. An array of robotized equipment mixes Flye's Carolina flue-cured—or Georgia or North Carolina flue-cured—with Kentucky burley, adds a dash of Southern Maryland and a pinch of Turkish, rolls it into elongated, thin cylinders, prints the appropriate brand name on the paper, seals the paper around the tobacco, perhaps clamps on an optional filter tip, inspects, counts, sorts, packages, and crates the final product, and passes it all over to a robotized arm that stacks cartons neatly upon shipping palettes. At Tobaccoville, they can make 110 billion cigarettes per year, all untouched by human hands.

Smoking is banned in the manufacturing facility, partly to keep the environment clean for the computers, partly to reduce fire hazard and, thus, insurance costs. Employees can smoke in designated areas on their breaks, lighting up cigarettes supplied by the employer.

The cigarette industry shipped an estimated 556.78 billion of the little white "weeds" throughout the U.S. in 1988, a decline of 2.4 percent from the previous year. Another 119.88 billion cigarettes were sold for export. In fact, the U.S. is both the world's largest importer and exporter of tobacco, but the latter activity exceeds the former. In 1987, tobacco trading resulted in a $2.18-billion gain in balance of payments. More than half of all the shipping comes and goes through the port of Norfolk, Virginia.

The domestic market comprises 82 percent of the business, and it is formidable. Surgeon General Koop notwithstanding, about 55 million Americans, roughly one-third of the adult population, smoke. Americans today spend about $35 billion a year on tobacco, 95 percent of the total going up in cigarette smoke.

Signals for the future are mixed. Of the six major U.S. cigarette companies, only Philip Morris increased its sales last year. Shipments were up by about 3.5 billion cigarettes, and PM now controls about 40 percent of the entire market. The name of its flagship brand, Marlboro, appears on nearly one out of every four cigarettes sold in the U.S. PM is also the export leader, shipping 70 billion cigarettes abroad last year, accounting for more than half of that market. Despite the fact that PM also owns Kraft, General Foods, and Miller Brewing, tobacco still generates more than half of its total revenues of nearly $5 billion per year.

"Tobacco is not on the way out. We won't see the end to a custom that millions enjoy."

RJR Nabisco runs a strong second, but the other four major companies have seen better days. Brown & Williamson, Lorillard, American Brands, and Liggett together comprise the remaining 29 percent of the market.

WHEN YOU ARE involved in an industry under concentrated attack, you must have a philosophy to survive. That's the wise counsel of Horace R. Kornegay, a gravel-voiced attorney from Greensboro, North Carolina, who claims an eight-generation family heritage in the tobacco-farming business. When he quit the U.S. Congress in 1969 after four terms, he joined the Washington, D.C.-based Tobacco Institute, a lobbying group organized in 1958 as a trade association. Kornegay signed on as vice president and counsel and, within a year and a half, he was selected as president and executive director. He remained at the helm until his retirement two years ago.

Today, Kornegay has resumed private practice in the Greensboro law offices of Adams, Kleemeier, Hagan, Hannah & Fouts, but he remains a vocal proponent of the tobacco industry.

Kornegay lights a cigarette, relaxes in his chair, blows a swirl of smoke toward the ceiling of his office, and explains: "To maintain your sanity in this business, you have to be pretty much of a philosopher. It helps to have some familiarity with history. If you go back to the early 1600s, right after Sir Walter Raleigh sent the first load of tobacco over to England, King James I issued a counterblast that makes Dr. Koop look almost like a piker. He said tobacco was foul to the nose and caused all these ills and words to the effect that no decent human being would ever use tobacco.

"And then you go through history. If you have a war or a bad depression going on, the hue and cry about tobacco sort of subsides. In the late 1800s there was an old gal running around named Lucy Gaston. She had picked out tobacco as her whipping boy.

"You sort of go through these things in cycles, and we've been going through one since 1964. Where the crescendo of the highest point will be is a little early to tell, but I like to believe that we've already hit the high in the last two or three years.

"Tobacco is not on the way out. You are not going to see the end to a custom that millions and millions of people enjoy."

Unlike Flye, Kornegay will address the health issues, albeit from a layman's vantage point. "Lord knows," he mutters, "the critics tell you that everybody who gets close to a cigarette is going to die within a fortnight. But people are living longer today than ever before, and that's inconsistent with the theory that all these people are dying because of tobacco."

As to the latest tactic, the campaign to label nicotine an addictive drug and bring it under FDA jurisdiction, Kornegay asks, "How can they tell you that nicotine is an addictive drug and in the next breath tell you that 35 or 40 million people have quit? That's a 24-carat contradiction in terms."

Kornegay's intuition that the anti-smoking campaign may have topped

out is based largely upon a downward spiral in product liability suits. The most notable of those was brought by the widower of Rose Cipollone, a New Jersey woman whose premature death was linked to cigarette smoking. It was seen as a landmark case, because the plaintiff sought to prove that cigarette companies had engaged in a 30-year conspiracy to suppress public information on the health effects of smoking. In June 1988 the jury rejected that contention, and, in fact, assigned 80 percent of the blame for Rose Cipollone's death to the victim herself. Nevertheless, the jury, while absolving both Philip Morris and RJR of culpability, awarded the plaintiff a $400,000 judgment from Liggett; Liggett products were the only ones used by the deceased before warning labels were required on cigarettes, and the jury concluded that Liggett should have warned the smoker of the dangers. The case is being appealed.

RJR pays $6 million in Federal excise taxes. Every day.

After the verdict, both the tobacco industry and anti-smoking groups claimed victory. Kornegay points out that the amount of the judgment was a pittance compared to the cost of the litigation, and empirical evidence suggests that he is right. At the peak of litigative activity, there were 213 such suits outstanding in the nation. By October 1988, that number had dwindled to 71; most of the lawsuits have been unsuccessful.

Cigarettes are the most heavily taxed consumer product sold in the U.S., and that tradition began as an anti-Southern sentiment. The first cigarette excise tax in the U.S. was imposed in 1863 as a "temporary" measure to raise revenues to fight the Civil War. "We don't talk about it much," says Kornegay, "but if you study where the main critics of tobacco are in Congress, and those who want to penalize tobacco, they are in the North, particularly in New England and, lately, California. There are those who think there still is an anti-Southern element in all of that. I've often thought that if tobacco were grown and manufactured all over the country, it would be quite different."

Today, nearly 40 percent of the price of a pack of cigarettes goes toward excise taxes levied by the Feds, as well as state and local governments. That totals some $11 billion and works out to nearly $270 a year for the average smoker. RJR, for example, pays $6 million in Federal excise taxes. Every day.

Smokers in Texas pay nearly eight times more in excise taxes than the state spends on its entire judicial and legal system. But—contrary to what Kornegay says about an anti-Southern bias—it is a Texas Democrat, Representative Mike Andrews, who has introduced a Congressional bill that would hike the Federal excise tax on cigarettes from 16 to 41 cents per pack.

"TO ME, THE tax thing is more serious than anything else we face," contends Bruce Flye. "If the price of a pack goes to $3 or $4, there's just no way that we can continue to have the living conditions we have now in eastern North Carolina. There's no crop to take tobacco's place."

Today, 32-year-old Randy Flye is his father's vital right-hand man, continuing the tradition of family farming. This has allowed the elder Flye to become active in promoting the industry. For 10 years Bruce Flye was president of Tobacco Associates, an organization comprised of farmers, warehousers, and dealers. Today he is president of the National Tobacco Council, composed of volunteers from all aspects of the industry.

"I think a lot of times they're telling just one side," Flye says. "What I want to see is the other side being told. People a lot of times are ignorant of the facts. To save this industry, tobacco farmers have to be involved. They've got the image with the public. The credibility is there. We have to let the public know what it means to the economy of this country. What it means to the schools, the tax base, the church. In North Carolina, it's the number one row-crop commodity. If we lose it, what's going to replace it? If I lose what tobacco contributes to me, it will be hazardous to my health." □

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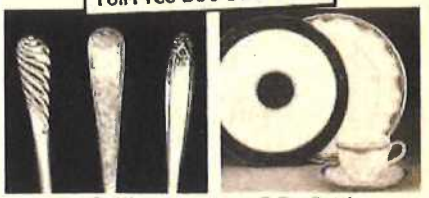

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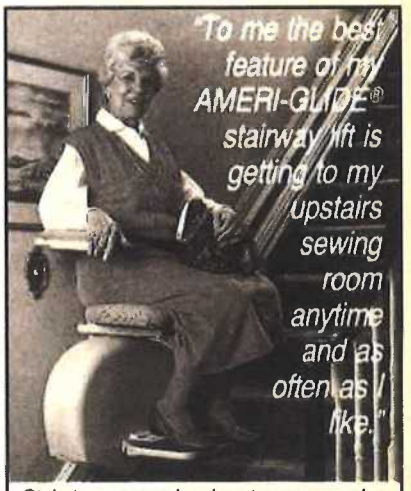

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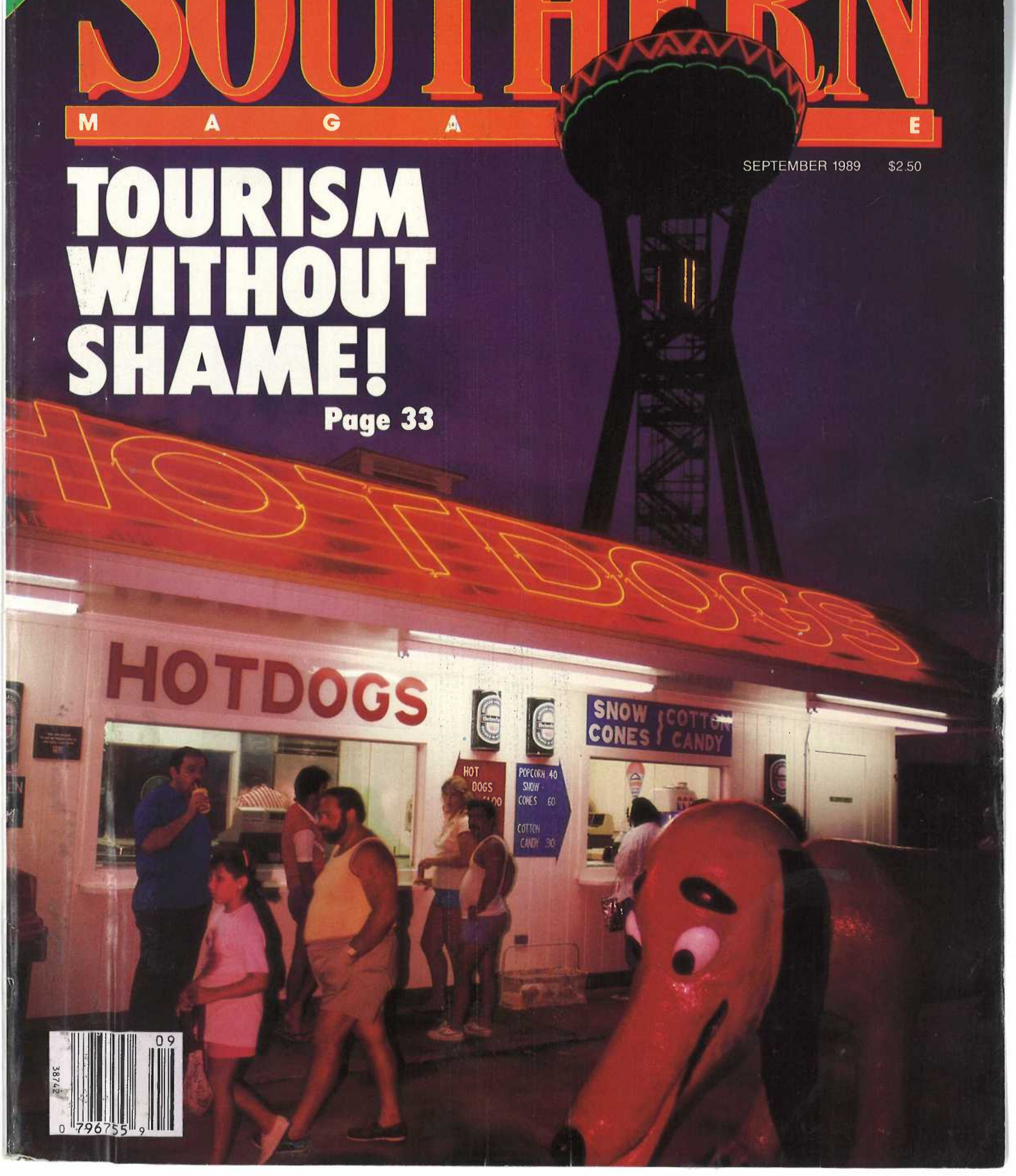

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