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The Burley Tobacco Buyout Program and Its Impact on Farmers in Tennessee, Virginia, and North Carolina.

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The Burley Tobacco Buyout Program and Its Impact on Farmers

in Tennessee, Virginia, and North Carolina

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by

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ABSTRACT

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This thesis addresses the Burley Tobacco Buyout Program and its impact on three local economies. Data collection involved obtaining information from government reports, internet sources, public documents, agriculture offices, federal agriculture officials, and books. Personal interviews were conducted with 32 farmers in Sullivan County, Tennessee; Washington County, Virginia; and Watauga County, North Carolina.

This study is significant because it addresses not only the decline of an agricultural product but also changes in a way of life in Southern Appalachia. The future of burley tobacco growing in this region appears to be bleak because of foreign market competition and decreasing domestic demand. From the personal interviews, many farmers had already abandoned tobacco production and older respondents were often planning to stop all farming practices. Specifics of the federal government-mandated Buyout Program to compensate quota holders and growers are presented, as well as the experiences and opinions of farmers regarding this program.

DEDICATION

This thesis is dedicated to the memory of Joe K. Thomas III (Sonny), a relative who was killed in a farm accident during the preparation of this manuscript, and to his father, Joe K. Thomas, Jr., both of whom were farmers involved with tobacco production and agriculture in general throughout their lives. Much of the material used in researching this thesis was provided by Sonny, who was deeply involved with the Burley Stabilization Corporation.

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The completion of these degrees has been somewhat of a challenge because I struggle with two disabilities. I have been legally blind since birth and a juvenile diabetic since the age of eight. Upon the completion of this degree in 2007, I hope to pursue some form of employment that will accommodate these fields of study and be feasible considering my physical limitations.

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CHAPTER 1

INTRODUCTION

The process of raising Burley Tobacco is an age-old tradition deeply instilled in the Southeastern United States. Once a top cash crop, agricultural production of tobacco has declined significantly in value in regions of our nation. Since the inception of the Burley Tobacco Buyout Program (October 22, 2004), also called the Tobacco Transition Payment Program, many changes have taken place and are deeply affecting areas where burley tobacco production was once a major cash crop. The Burley Tobacco Buyout Program was proposed by “Big Tobacco” (Phillip Morris, RJR, Brown and Williamson, and Lorillard, including over 300 less known tobacco companies) and by the importers and manufacturers of tobacco products. One of the main problems encountered by tobacco growers is the loss of income in an area that is somewhat economically challenged anyway. Not only are the livelihoods of farmers in these areas being put to the test, but so are the families, communities, and regional economies with ties to the tobacco industry.

A way of life and a definitive culture are being challenged as never before. Almost every small family farm raised some amount of tobacco or had an allotment that increased the value of their property by allowing the owner to sell their poundage or rent it to another farmer to raise. This, in turn, allowed farmers to pay their land taxes, purchase machinery, or take care of any large bills which they might not have had the funds for without profits from tobacco.

The average person might fail to comprehend the cultural importance of tobacco to small tobacco farmers and their place in the tobacco industry. Raising tobacco imposed almost ritualistic demands and encompassed a great deal of the farmer's agricultural calendar and way of life. There was a sense of comradery in the fact that as the season and weather permitted almost everyone in the surrounding farm community was in the process of producing a tobacco crop. A common phrase heard was, "Have you gotten your crop laid by yet?" Meaning, is the crop tall enough or far along enough that it no longer requires tending/plowing?

Another concern is the fact that by allowing the tobacco industry to go overseas and thrive, our country is contributing to further economic dependence on foreign countries and denying the independence of the American people, making us depend more and more on foreign markets. This is not only true of the tobacco industry but also many of the manufacturing and consumer markets the U. S. was formerly known for dominating. This loss of revenue from the tax on tobacco products will have long-reaching effects on our nation as it has at times produced close to 2% of the GNP.

Purpose of Thesis

My thesis research incorporates published documents and internet sources as well as government reports, newspaper stories, magazine articles, and a variety of books that describe the historical changes and recent developments in the tobacco industry at the local, regional, and national levels. I have also conducted personal interviews with current and former tobacco farmers and agricultural agents to investigate how the budget-buyout is affecting tobacco farmers and the kinds of decisions they make.

I feel that it is necessary to explain why I chose this topic in the first place. I chose the Burley Tobacco Buyout as a topic of research because my family has been involved in the production of burley tobacco and agriculture in general for five generations. As far back as I can remember I helped with many aspects of tobacco production as my age, size, and visual impairment would allow. My earliest memory is of picking up leaves that had fallen off or were torn off in the cutting process. As the years went by and I became stronger, I participated in all aspects of tobacco production through the fall of 2004, as this was the last year my family produced a crop. My father did not feel comfortable going to the effort and cost of producing a crop if there was not going to be a price support, so our tobacco experience ended abruptly.

Overview of Thesis Organization

This thesis will begin by reviewing the history of the tobacco industry. I will begin by addressing the crop from its earliest days in America through the mid to late 1900s, the times when tobacco was in its heyday. I will provide specific information regarding when allotments went to quotas and explain how this changed. Following this section, I will address and clarify Phase I from Phase II and the more recent Tobacco Quota Buyout then describe how these are separate from the buyout program itself. I will also include a general discussion of the increasingly negative attitude towards smoking and the widening knowledge of its deleterious effects of long-term cigarette use. Next, I will look into the resulting decline in domestic consumption of tobacco and discuss Big Tobacco's (meaning the top tobacco manufacturers) move to overseas production both in terms of new markets for sales and cheaper production. I will discuss the recent developments in the tobacco industry and the national trend towards smoking cessation and the medical concerns smoking has caused. Finally, I will address the main issues and problems faced by tobacco farmers and the significance of recent changes at the family, community, and national level.

My research strategy also involves conducting personal interviews with former and current tobacco farmers and agricultural agents. I plan to conduct interviews in three different states: Sullivan County in Tennessee, Watauga County in North Carolina, and Washington County in Virginia. By conducting interviews in three different states and three different counties, I hope to uncover the differences and contrasts that may appear because each state has the right to appropriate its Phase I money as it sees fit.

After I complete the interviews, I will compare the findings within the county of one state with those of the other states, noting the differences and similarities from county to county and state to state. Because the tri-state region in my study is basically of the same geographic, cultural, and economic circumstances, I think it will be enlightening to contrast the handling of the settlement money and opinions of those involved on the receiving end.

This thesis will include a discussion with a summary of findings and relevant conclusions supported by my research. With the information taken from the tobacco farmer/agent interviews, final assumptions will be drawn from these two areas based on this research. This will provide a context in which my research can tie into and be relevant to understanding the decline of the domestic tobacco industry and its effect on farmers in the Tri-State region and the nation in general.

General History of the Tobacco Industry

Our country's history is involved with tobacco from its earliest roots. Crew-members on the voyage with Columbus were the first Europeans to smoke the golden leaf; however, indigenous people already knew the pleasures of tobacco (Parker-Pope 2001:8). The new settlement of Jamestown was close to going under until John Rolfe, the future husband of Pocahontas, brought some tobacco seed from the West Indies. The settlement had endured four rough winters of almost starving when the introduction of tobacco provided a fledgling opportunity to export a product. The sale of this product gave them revenue with which they could purchase what they needed to survive. By 1703, the settlers of Jamestown had exported nearly 23 million pounds of the leaf to Europe; no small feat taking into consideration the shipping limitations of that day and time. Activities such as glass making, shipbuilding, and the mining of certain precious metals had all previously failed and only then was the worth of tobacco as a crop realized. The very thing that saved our country in its earliest beginnings was tobacco (Brown & Williamson Tobacco Corporation 1994-1995:1). This was further emphasized in the following:

> Tobacco is more deeply rooted in our history than any other commodity. No American product had had a more dramatic history. Tobacco was our first agricultural product–our first export–our first industry. The first crop was planted in Jamestown, VA in 1612 (Burley Stabilization Corporation 2005:7).

Tobacco has been a source of revenue for approximately 400 years. Tobacco was so valued that it was used as currency for everything from wages to payment of any debt, even taxes. In the Jamestown settlement, tobacco was used as currency in the following ways: 120 pounds secured a young single woman for marriage upon arriving there in 1619. It cost 200 pounds to have a marriage performed and 400 pounds for a funeral requiring the services of a religious clergyman (The Tobacco Institute 1985). According to tobacco historian Jerome Brooks:

> Tobacco was the dominant element in shaping the social customs, the political and financial systems, the industrial life and the territorial growth of the Southern British colonies. The forces which were set in motion when tobacco was sovereign there affected the governments of Europe and the trade of the world and remains powerful factors in the sociological and economic life of the U. S. to our own time (quoted in Parker-Pope 2001:7).

The tobacco leaf has been so popular to the history of our country that it is included architecturally in the structure of the capital buildings "including the Corinthian columns in the old Senate chambers" (Brown & Williamson Tobacco Corporation 1994-1995:3).

As far back as the mid-19th century, Napoleon III of France knew the important influences of the crop. "This vice brings in one hundred million francs in taxes every year. I will certainly forbid it at once-as soon as you can name a virtue that brings in as much revenue" (Heyes 1999:83).

George Washington requested tobacco to be issued to his troops. So valuable was the tobacco crop that it was used to pay France for interest on loans, kept the Continental Congress up and going, and was used to supply materials for the Revolutionary War (Brown & Williamson Tobacco Corporation 1994-1995:3). Civil War soldiers also found tobacco in their daily rations. During 1917 and 1918, at the peak of World War I, General John Pershing urged the government to send tobacco to the soldiers. He felt that tobacco helped his men cope with the stress of battle. Before the start of World War II, it is interesting to note that cigarette smoking was considered a mild form of feminine behavior; however, Franklin D. Roosevelt declared tobacco essential to the war effort. According to General Douglas McArthur, $10 million must “be used to purchase American cigarettes, which, of all personal comforts, are the most difficult to obtain here” (Parker-Pope 2001:14-15).

Although there are several types of tobacco grown in the United States, there are six that are specific to certain parts of the country and each has its own particular use. Each type of tobacco requires or does better in a particular climate, soil, and level of precipitation, and companies have developed seed that meet the needs of the grower. Flue cured is grown mostly in the coastal parts of the southeast resulting in nearly 50% of total tobacco production. Burley is found primarily in the mid and upper South with the states of Kentucky and Tennessee responsible for 40% of burley produced (Brown & Williamson Tobacco Corporation 1994-95:5). There are tobaccos used specifically for cigars, cigarettes, pipe tobacco, chewing, and dipping, and each has a particular way that the leaves are cured to insure a distinctive flavor. Many times, the different kinds are blended to achieve a particular taste. Climate and weather conditions also influence flavor and nicotine levels (Brown & Williamson Tobacco Corporation 1994-1995:6).

Burley tobacco (fondly called Golden Burley by farmers of the following localities) is typically grown in the Tri-State region of Tennessee, Virginia, and North Carolina. Burley has a distinctive absorbent nature, suited well for use in chewing tobacco and snuff, and typically sweetened and flavored with peach, wintergreen, apple, beechnut, vanilla, cherry, and so forth. Burley is noted for its full aroma and high content of nicotine, which may vary greatly depending on weather conditions and the place where it is grown (Parker-Pope 2001:53).

Tobacco is still consumed in many forms commonly associated with the past: snuff, chewing tobacco, cigars, pipes, and cigarettes. Snuff is used by placing the finely ground powder between the lower front lip and the gum. When saliva mixes with the tobacco, the juice must be spit resulting in the spittoon as a polite necessity. In an older practice, snuff actually was inhaled through the nose also. Some participants in my study could actually recall their grandparents indulging in this habit.

> Snuff was the stuff of the upper class and half the enjoyment came from the affectations associated with it. With great ceremony, aristocratic snuff users brandished their gilded and lavish snuff boxes before inhaling a pinch of the tobacco powder (Parker-Pope 2001:8).

The first cigarette was developed by Philip Morris as the United States entered the Civil War in 1861. In the South, the war effort was funded by tobacco revenues while the North was aided by a tobacco tax. Still in the 19th Century, tobacco was commonly placed loosely in the mouth or smoked in pipes or cigars. Following the Civil War, the chewing tobacco plug was the most popular. This was a rectangular shaped wedge of sweetened and flavored tobacco. A homemade version of the plug was a twist. My grandfather used to take a cured, moist leaf and then twisted it tightly into a long cord. Then the ends were put together and twisted to make a sort of double loop (figure 8) that could easily be carried in a pocket. By 1922, the cigarette overtook chewing tobacco as the more popular product. The reason for this change was that the cigarette was not messy. Tobacco chewed or dipped in the form of snuff had to be spit and although spittoons were a common sight, the act was soon considered out of fashion and unsightly (Parker-Pope 2001:9).

Other forms of tobacco may be found in the coastal parts of North Carolina and Virginia but burley is the type of tobacco most commonly found in the state of Tennessee -approximately 85% (Tiller 2000b:1).

CHAPTER 2

THE YEARLY CYCLE

Tobacco has the reputation of being a 13-month crop, meaning that it demands a farmer's full attention for nearly 13 months (Heyes 1999:61). The tobacco seed is so small that just one ounce contains almost 300,000 seeds; and this ounce will yield six acres or nearly 13,000 pounds of the golden leaf. The process by which the crop is raised originated in colonial times and until recently has not seen a lot of change (Heyes 1999: 62). Tobacco production traditionally began in late winter (usually late February) when seeds were sown in carefully prepared ground, usually 100-foot beds, which previously had been covered with brush and burned to kill weed seeds. But in more recent times, the fresh soil was gassed with methol bromide to prevent weeds from sprouting and covered with plastic until the chemical took effect. This gassing involved puncturing cans of methol bromide that had been placed upside down in puncture holders under the plastic. When everything was in place and the cans were in position, the edges of the black plastic were covered with dirt to make it airtight. The cans were then pushed down, puncturing the seal, releasing the gas which was left for several days.

The tobacco seeds soon sprouted after the application of either method and for three months the tiny plants were fertilized, watered, and weeded until the middle of May when they were finally large enough to be transplanted to the field. In the past, tender plants were pulled by hand then carefully transplanted to the field by hand, watered, and their roots covered. More recently, farmers prepare the young plants in floating, fertilized water beds, whereby the tiny seed is placed in soil in a Styrofoam tray with a tiny hole in the bottom so the young plant can root and take in water and nutrients as it floats. When the plants grow to about six inches tall, the trays are lifted out of the water beds and are taken to the field to be set by a mechanical trans-planter. This machine, pulled behind the tractor, digs the hole, places the plant, waters and covers its roots successfully-completing one to two rows at a time. Riders sit with their backs to the tractor taking turns placing a single plant into the device that sets the tobacco plant in the soil.

The crop is carefully monitored, plowed, hoed, and tended until the plant matures and blooms. It takes the plant around 65 to 70 days to reach this point. Then the process of topping occurs. Topping entails removing the bloom and any suckers. A sucker is a small leaf growth in the axil at the base of a main leaf. A good tobacco plant will yield around 25 leaves, but only the top one third will be prone to suckers. If not removed, the suckers will curtail the growth and maturation of the main leaf. Following this process, the crop is sprayed with chemicals such as maleic hydrazide to retard further sucker growth. The brands commonly used are Royal MH 30, Offshoot, or Prime. These chemicals are sometimes combined to get effective control, but they generally work as a salt that dries the existing sucker and as the plant absorbs it, naturally retards further sucker growth.

The plant remains in the field growing, spreading, and adding weight until late August. Then it is cut by hand and speared onto a wooden stick placing six tobacco stalks per stick. Left in the field for two to three days to wilt down, thereby reducing the carrying weight (all the while, praying for dry weather), the tobacco is finally loaded onto wagons (each stick weighing nearly 50 pounds) and hauled to the barns where it will hang for approximately three months to cure. The curing process involves the leaves losing their greenish-yellow color, drying out, and turning a golden brown. Putting the crop into the barn is no small feat and usually requires several workers climbing sometimes as high as 30 feet off the ground on the barn poles as well as helpers on the wagon passing the sticks up into the barn.

Usually by mid November, the curing process is complete. The tobacco should be removed from the barn and tied into bundles on a day when moisture and humidity allow the leaves to be handled without crumbling. When this level of humidity is reached it is called being in case or more commonly in good order. Most farmers have a grading house where they work off their crop in preparation to take it to the warehouse. In the grading process, each stalk is held upright by its base and certain leaves are pulled by hand, according to length, color, and position on the stalk. In the past, when a handful of a certain grade was collected, it was tied with another leaf wrapped tightly around the stem ends and pulled up through the center to secure it. More recently, baling boxes were built in which the loose leaves were laid and then baled under pressure and tied with twine. Usually three grades are pulled: trash or flyings-meaning the leaves closest to the ground, usually tattered and very pale in color, bright-the longest and best leaves found in the middle of the stalk, and tips or short red-the very top leaves on the stalk, typically dark in color and having the greatest weight. A stick of tobacco (one containing six stalks) that has done well and thrived can be expected to yield about one and one half pounds of tobacco, cured and dried, ready for market. A farmer with several acres to work off can be occupied for several months as the crop is prepared for market. This easily places farmers nearly back to the point of sowing seeds for the next year's crop. This knowledge is from my own personal experience and that of my father who has been a tobacco farmer all of his life, as has my mother, and three generations preceding them.

When the crop was hauled to the warehouse, it was weighed and checked for moisture and debris. Each grade was stacked on pallets and the farmer's name, grade, and support price was put on a tag ticket, waiting the day of sale. On sale day, farmers and many times their families attended and followed the auctioneers as they made their way down the long rows of tobacco, making bids on the crop.

The History of Early Tobacco Sales

The system of price support began in the Great Depression. It limited the amount of tobacco that farmers could bring to sell at the warehouse auctions. In 1933 many farmers were very, very poor and in a desperate situation. Fortunately, the Agricultural Adjustment Act resulted in a system of price support that continued for many years.

> cigarette makers agreed to tell the federal government how much tobacco they expected to buy the next year. The Agricultural Department could then tell each grower how many acres of tobacco (later changed to pounds) he would be allowed to grow. Farmers agreed to accept these limits, or "quotas," on their crop (Heyes 1999:39).

One half of all the farms in 10 counties in East Tennessee raise tobacco, and many of these counties are economically dependent upon the crop as they have few economic alternatives because of limited job choices. Cross-county lease and transfer of tobacco quotas that took place in 1991 hurt tobacco producers in East Tennessee as there was a major move by tobacco growers to the western part of the state where farms are much larger and producers operate in bigger volume (Tiller 2000b:2). Up until this happened, people who owned land with a quota in a certain county of a state had to raise tobacco in that county, but this changed: "Tobacco economists anticipate a rapid consolidation of tobacco production onto substantially fewer but larger farms located in the most economical regions with high yield, high quality, and low cost" (Womach 2004).

Back in 1936 the situation was much improved, with tobacco prices nearly doubling. This system remained in place for nearly 60 years (Heyes 1999:39). Each growing season the price was adjusted by the USDA so that all farmers could be assured of a fair price for each grade, meaning that the farmer was insured of a profit. Should the farmer's tobacco not sell but be bought by the co-op at the minimum price, the money used for the purchase came from federal governmental loans and had to be repaid with interest. The tobacco was then processed and stored till a time when they could sell it at a better price (Heyes 1999:77). The support program came about because of the conflict between growers and tobacco markets, cigar/cigarette makers, each wanting the most money possible out of the crop, with hard feelings felt since colonial times. This was because the cigarette/cigar makers had total control over the amount that farmers were paid for their crop and labor. Farmers were at odds because there was no one else that could develop their product into a marketable form. This unfair situation continues somewhat today and was the cause of the development of the price support system (Heyes 1999:78). "Part of the reason tobacco farming has remained so profitable is the price support system of the federal government" (Heyes 1999:77). As of 2005, any farmer who has raised tobacco will do it under contract with the tobacco companies with no price support. According to tobacco farmer Jeff Aiken,

> When you are under contract, about your only option is to hold the crop off the market until later in hopes the price goes up. I have no idea how much we are competing with foreign-grown tobacco. We have regulations in place as to pesticide use and so on, and I'm not sure they have the same regulations in Brazil or Africa (Brooks 2005:2).

The USDA set a minimum price that could be counted on by the farmers and they were guaranteed of that price on sale day (Heyes 1999:77). Employees of the USDA in past marketing practices were responsible for putting prices on the different grades of tobacco. Government graders walked down the long rows of pallets with tobacco stacked on top of them and manually wrote the value/price of the grade on a ticket as they visually judged the quality of the tobacco. But since the buyout, the tobacco companies have their own personal graders to place a price on the crop and the range of that price may vary widely. Jeff Aiken, a Washington County, Tennessee tobacco farmer said, "It could go from anywhere from 40 or 50 cents a pound to $1.60 a pound, and our contract is within this range" (Brooks 2005:2). With prices in 2004 around $2.00/lb., farmers in the 2005 crop year were looking at a pay cut of up to 25% (Brooks 2005:2). "With the federal tobacco program gone, there are no price floors and no guarantee that a grower's crop will sell at all" (Virginia Farm Bureau 2005:1). 2005 marked the first year the government did not offer a price support. The term price support meaning that any tobacco that did not bring at least one cent over the supported price (of what was minimally accepted) was placed in a farmer's co-operative, so that every farmer could be assured of payment at the day's end (Heyes 1999:62-88). The price support in 1986 for burley tobacco was $1.488/pound (Grise & Griffin 1988:2). In 2004, although the tobacco buyout came about in October, the price support was still honored for the fall sales and the listings for the price support were .87 for the lowest grade and $2.09 for the top grade (Farm Service Agency 2004:3). I spoke with one of my respondents that sold tobacco by the time this paper was completed and the average price he received for his tobacco sold in the fall of 2006 under contract was $1.55 per pound (TN 5 2006).

According to the Southern States Cooperative located in Bristol, Virginia, the following calculations from a representative of this business details the cost for a farmer to produce a tobacco crop in 2006-this year's past growing season. To raise one acre of tobacco it took one ton of fertilizer (10-6-18, meaning the percentages of different chemicals used that add nutrients to the soil consisting of nitrogen, phosphorus, and pot ash). Fertilizer for one acre of tobacco would be valued at $370 a ton. The herbicide Command (for weed control) cost $270.59 and two gallons of Royal MH–30 to be sprayed on for sucker control cost $15.06 a gallon. Two gallons would total a little over $30. If tobacco plants were purchased from a greenhouse 8,000 plants were required to set one acre at $40/a thousand. The farmer could be expected to average 1,350 sticks per acre with six stalks of tobacco on each stick. These are the main supplies needed to just begin production of one acre of tobacco. If fertilizer and herbicide were applied by the producer and help not hired, fuel would be the only expense, but take into account that diesel this past growing season sold for $2.50 a gallon, whereas in 2004 it was closer to $1.00.

The time that a farmer would actually spend in producing a crop can be divided in the following ways. It would take three hours to plow the ground for an acre of tobacco. It would take three hours to disk it down (meaning to cut the soil into a fine texture to enable plants to start quickly and easily). Another three hours would be spent in setting the tobacco. The next step would involve cultivation (driving between the rows of small plants loosening the soil and removing any weeds.) This would need to be done at least three times, allowing one and a half hours each time, during the growing season with probably some manual hoeing between cultivations. When the crop reached the point of being topped and suckered, another two hours would be needed to apply the sucker spray. After the tobacco was cut and laid out for several days to wilt, the crop was then ready to be hauled to the barn and hung. Another two hours would need to be allowed for this procedure-to get the crop loaded onto the wagons and hauled from the patch to the barn.

Unfortunately, one of the participants of my study was killed in a farm accident shortly after my interviews were completed. This individual happened to be a cousin and close neighbor, so my family was once again unexpectedly involved in the harvesting of a tobacco crop, although the circumstances were rather grim. The farmer was killed the day before Mexican migrant workers were to begin cutting the three-acre crop of tobacco. My parents helped with all aspects of this harvest so I was able to obtain first hand information concerning the costs this farmer and his family had put into the production of a crop this growing season. The following prices show what it cost them to have their three-acre crop of tobacco cut, speared, hung, and eventually worked off. It took four Mexicans one whole day from dawn till dark to cut and spear the three acres of tobacco. The group consisted of four males. There was an older individual who seemed in charge of three younger individuals, maybe no more than 15 years of age, and no one spoke English. They charged 0.22 per stick, bringing the total cost to cut the three acres at $735.20. After lying for three days to wilt down, the same four returned and through the combined efforts of the Mexicans and many neighbors, the three acres were hung in the barn in one day. The Mexicans charged $7.50 an hour to hang tobacco, but if the four had worked alone, it would have taken them a couple of days. (Still, they never entirely work alone; someone has to drive the tractor for them and show them where to put the crop, etc). If this family hires help to take it out of the barn, tie the tobacco into bundles with six sticks to a bundle, and work it off, it would take two weeks or more for them to prepare this product for market (all the while being charged $7.50/hour). It is expected that a good puller could average 200 pounds pulled and graded per day. My father recalled that the last time we hired Mexicans for help in tobacco, which was 2004, they charged $200/acre to cut and spear the crop and $200/acre to hang it in the barn. So, it is plain to see that production costs have increased approximately 22% in just two years. I calculated this in that it cost $135 more than it did in 2004 to cut this crop and that difference shows 22.5% of an increase. The same would have been true if this family had to pay for having the crop hung (they did pay the Mexicans for that days work, but the majority of that labor was voluntary).

Anyone that has ever worked in a tobacco patch on a hot August day with the temperature hovering around 90 degrees and above, knows from experience that it is not a pleasant or easy job. It is also very labor-intensive requiring about 250 hours of hand labor per acre crop harvested. But at the same time, it is a lucrative process for the farmer as nothing else will yield more profit than a tobacco crop. The average weight of an acre of burley tobacco that did well and suffered no ill effects from disease, insects, or foul weather could expect to yield approximately 2,300 pounds. During the late 1990s, the price farmers could expect was $2.05/lb. for their top grade and $1.80/lb. for their lowest grade. The average of these two extremes is $1.925. If a farmer had 10,000 pounds to sell, the total expected would be near $19,250.00. However, a farmer could expect to invest anywhere from .90 to $1.10 (averaging $1.00) out of the expected $1.925 return per pound on the crop leaving him with $10,000.00 which cuts the profit close to half. This expense would be in the form of labor, fuel, pesticides, poundage costs, equipment, etc. This information is only relevant to the late 1990s because fuel that was $1.00/gal. then, this past summer (2006) went to $3.00/gal. and the price to lease quota (poundage) then was 5 to 10 cents per pound. By the turn of the 21st century, it went up to 50 cents or more per pound which in turn was caused by the quota cuts. In other words, farmers could count on up to $1.00 coming out of the $1.925 anticipated price per pound. Since the buyout took effect, it cut farmer's expense since they no longer had to pay for poundage to be able to raise a crop of tobacco. But without the price support, they no longer got $2.05 for their top grade. It went to $1.56 for their best tobacco and to $1.00 or less for their lower grade. Things are really no different with the exception that labor costs have increased drastically along with fuel and other expenses (TN Ag. Agent 2 2006).

In preparing to delve into the buyout process, it seems appropriate to discuss the past quota system, explaining how it came to be, how it worked in the past, and how it aided farmers in their burley production.

The Quota System

In the past, many farmers were somewhat distraught over the size of quota their farm held. They could not understand why a farm with significant acreage would have a smaller quota than a farm with insignificant acreage. According to Ag Agent 1 in Sullivan County, Tennessee, "allotments were grown on an acre-by-acre basis," determined by the amount of tobacco that had been produced on that farm over the previous years. Many times, the size of the allotment was determined by tobacco grown by individuals over the years even on other farms in other places and before determining what the quota for a certain farm would be, all this was taken into consideration. The individual may have been a producer in many other places and to give the most advantage to produce as the past history revealed, former tobacco practices were added on to the farm that was then resided on, when quotas were being determined. So it was not necessarily the size of an existing farm that decided the size of the quota, but more so, the past tobacco practices of the producer of that farm and any history that came with that producer. Then when the system transferred over to the quota system, it did not necessarily mean that the size of the farm determined how large the quota would be. Again, it was based on the before mentioned precepts as with the allotment to quota determination and even a farm with small acreage could have a greater quota than a larger place. The change from allotment to quota system took place in the year 1971 (Ag Agent 1 Sullivan County, TN 2006).

A quota holder is the person who owns the land that the tobacco poundage or growing rights are tied to. The poundage for a farm could be rented, leased, or transferred from one farm to another for a price and grown on another piece of property.

When a farmer leased the poundage from a quota holder, the quota holder necessarily did not have any part of the labor, cost, or production of the crop. People who owned land that had a tobacco allotment on it could rent that allotment to someone who wanted to raise tobacco. It is a common misconception that all quota holders were old farmers who were no longer able to raise the crop. In reality, the majority of quota owners were far removed from agriculture, employed in a variety of other occupations and living in states that do not produce tobacco or even living in a foreign country (Heyes 1999:78). “According to the USDA, there were more than 300,000 quotas in 1998, but only about 120,000 tobacco farms” (Heyes 1999:78).

Many times, farmers would lease poundage from the same person for years on end. The farmer faced all the risk of producing a crop and the quota holder often had no interest in the crop other than the amount received in rent payment. In some cases, the quota holder grew the crop and was confirmed as both the producer and quota holder. In other situations, the crop was grown on the shares with the quota holder providing all the supplies and the land, with the grower/producer providing all the labor, thereby each party receiving exactly one half of the total profit. (Supplies meaning: plants if they were bought from a greenhouse or raised in a bed, fertilizer, spray, sticks on which the cut tobacco was speared, barns to hang it in and so forth). In other words, the producer provided the labor yet he did not necessarily have to own any land. Or, if the producer wanted to furnish everything and use the quota holder's land, the producer would then receive two-thirds of the profit and the quota holder one-third. To summarize, a person could own land and grow tobacco or if they did not want to or were unable, could lease poundage to someone who wanted to grow tobacco or raise it on the shares by either method. All three ways were common methods of producing a tobacco crop and it is important to distinguish the quota holder from the producer because buyout payments are divided into these different areas by who actually did what and the role they assumed, as will be realized later in this research.

In the 1930s, a law was passed that attached the land and its growing rights to each other. However, the poundage had to be grown in the same county as the quota was assigned (Heyes 1999:78), but not necessarily on that piece of land. A later law in 1991 allowed that poundage could be bought and raised outside the home county and even transferred from county to county. This led to the loss of available pounds to local farmers, because the quotas they were accustomed to leasing had been bought by someone out of county who could pay more than farmers in Sullivan County could (as they typically were smaller producers). This cross-county lease and transfer was approved in 1991 for the state of Tennessee (Tiller 2000b:2) and is most likely what caused the poundage price to rise so drastically. All this means is that a farmer from somewhere else in the state of Tennessee, for instance Greene County, could now purchase poundage from a quota holder in Sullivan County, whereas, before that was not allowed (Greene County typically has larger farms than Sullivan).

During the early 1990s, tobacco poundage lease rights could be bought for .05 cents per pound. If a quota holder had a farm with a 5,000 pound allotment on it and he did not want to raise it, he could sell his poundage to someone who wanted to for $250.00. This helped both sides because if the allotment went three years and was not raised by someone, the farm would lose its quota. However, if one year went by and for some reason the owner did not raise it or he failed to lease it to someone who wanted to, the following year his poundage would double–going from 5,000 pounds to 10,000 pounds. The quota holder could get away with this once, but if by the third year the crop was not raised–it would be lost and the quota assigned to that farm would be gone forever.

When it was just a few cents to rent poundage, farmers could afford to radically increase the amount of tobacco they raised. And as mentioned before, tobacco quotas held in a certain county had to be raised in that county and no other. Cross county leasing caused the price of poundage to rise to as much as .50 cents, reducing the amount that a small farmer could afford to buy and not be priced out of business. When a farmer from Greene County could come here and offer .50 cents a pound for tobacco to lease, it naturally was let go. Then when small farmers in Sullivan County wanted to lease tobacco, quota holders still expected the big price, yet it was more than a small farm operator could afford. According to an e-mail from Kelly Tiller dated August 07, 2006, other states never went along with this cross-county leasing and poundage exchange so their farm families fared somewhat better than Tennessee.

> Since cross-county lease and transfer of tobacco quotas has been permitted in Tennessee, tobacco production in the state has gradually moved westward. In 1980, 57% of all burley in the state was produced east of the Cumberland Plateau (in the 25 counties compromising the eastern-most Agricultural Statistics District (ASD) in Tennessee). In 2000, only 48% of the state's burley crop was produced in the eastern ASD. Burley production in the two most western ASDs has increased from 7% in 1980 to 13% in 2000 (Tiller 2000b:2).

So, to calculate the difference this made to the farmer trying to produce a tobacco crop: If 5,000 pounds were leased at fifty cents per pound, it cost the farmer $2500.00 to be able to raise and sell that much tobacco, and more or less just to get started. This is not taking into account labor, fuel, pesticides, and all the other expenses associated with producing a tobacco crop. Compare that figure to buying the 5,000 pounds at .05 cents per pound coming to only $250.00. Also take into consideration that fertilizer, fuel, labor, and equipment were all going up in price while the farmer had to pay much more to do what had been done very few years before, without nearly so much expense. All these factors have to be taken into consideration when looking at the end result and subtract anticipated costs notwithstanding the climate conditions of the growing season, which at times, are very unpredictable and can affect the price received at market because of reduced leaf quality. These and many other circumstances can alter a farmer's profit at season's end.

That difference indicates that people who owned the majority of the quotas were not involved in agriculture and had no use for the quota other than what they could make by leasing it. It came down to farmers having to pay someone else to be able to raise their crop. Many times, close family and friends would give my family their poundage just to help us out. Their attitude was that their time for dealing with the crop was over, and if we were young and willing enough to have at it, they were more than willing to give us the chance.

In years past, tobacco farmers would get a notice in the mail that the quota for their farm had been cut, meaning they would not have as many pounds to plant, harvest, and sell. This news usually came in the early spring just about the time farmers would be making their planting plans. The quota for a farm that produced burley tobacco was determined in the following way:

> The basic quota is calculated each year prior to the start of the production season by a predetermined formula which includes manufacturers' purchase intentions, adjustments for stock levels, and a three year export average (Tiller 2000b:4).

In the state of Tennessee, "Basic quota was cut by 9.8% in 1998 and 28.8% in 1999 followed by a dramatic 45.3% cut in 2000" (Tiller 2000b:5). A large proportion of the tobacco a farmer was allowed to raise was taken away. "The reduction in burley tobacco acreage and production in Tennessee has been a direct result of declining tobacco quotas" (Tiller 2000b:3) and is a direct result of the decreased demand by cigarette makers for U.S. grown tobacco.

It is an interesting coincidence that the quota cuts coincided with the tobacco company's payout program, resulting in much lower production for the years that were chosen to pay on. The years that buyout payments were based on were 2002 concerning the quota holder and 2002, 2003, and 2004 for the grower. Any grower who shared in the risk of raising a crop during one of these years will be able to participate. During the late 1990s tobacco production was at its peak, meaning that in the late 1990s farmers were leasing, raising, and selling more tobacco than they ever had in years past. Following this peak production, quota cuts began and drastically reduced the amount of quota available to be grown. The changes made in the quota and price support systems were designed to enable the U. S. to compete in the world market. The 2005 selling season marked the first time there was no price support in all these years since the 1930s, as stipulated by the Fair and Equitable Tobacco Reform Act (Reaves 2005:1). Anyone who raised a tobacco crop in 2005 did it under contract with the tobacco companies. The contract was simply an agreement that in the coming year the farmer/producer would agree to deliver a set amount of pounds to the warehouse on a certain date. A list came out giving estimates on certain grades of burley, yet that was in no way a guarantee of sale or fair price. Farmers had no idea of the price they might receive. It could have been one dollar, two dollars, or might have not sold at all. Blake Brown of North Carolina State University estimated $1.50 - $1.56 for burley sold under contract (Reaves 2005:2). According to Ag Agent 1 in Sullivan County, TN, this was fair to farmers. By not having to fork out money for poundage, they could grow however much they wanted with no expense going toward leasing costs but still, it was in no way a guarantee of sale. According to interviews from farmers who raised and sold tobacco in 2005, the price they received ranged from $1.48 - $1.50 to $1.65. From what I have heard from the respondents in this study since my research was completed, the 2006 sales were relative to the 2005 prices with little variation.

Many are concerned with the impact the end of the price support will have on area farms and those that depend on tobacco for their livelihood.

> Smithson Mills with the Center for the Assessment and Research Alliances at Mars Hill College discussed the impacts on communities, families, and farmers, indicating that tobacco had traditionally been the foundation of states' economies (Reaves 2005:2).

Many are worried about the changes this will make in local economies across the scope of my study. "Since 1999, tobacco acreage in the state (TN) has been reduced by more than one third" (Tiller 2000b:3). These facts are somewhat alarming and in reality, most of the farms in this study will not even qualify as "tobacco farms" as they are smaller with more diversification and cannot meet the standard of one half of their income from tobacco.

> With or without sweeping changes, lower demand and profit margins will likely push many small tobacco growers out of the market and concentrate production on fewer, larger farms in lower marginal cost areas where direct contracts with manufacturers are the dominant

> marketing strategy. Many tobacco growers fear that the days are numbered for the “golden leaf” that has been such a dominant force in shaping the culture and economy of an entire region for generations (Ray 2002:2).

According to the U. S. Census of Agriculture, the number of tobacco farms in Tennessee has been steadily declining for decades:

> In 1992, there were nearly 23,000 tobacco farms in the state, compared to just under 15,000 in 1997. That represents a loss of more than one-third of the state’s tobacco farms over five years. The pace of the decline is expected to further escalate (Tiller 2000b:3).

It is expected that many older farmers are using the buyout as a way of easing out of burley production (Brooks 2005:2). There are only so many years humans are able to exert to the maximum, climb to extreme heights in barns, work in intense heat and humidity at a job likely to cause heat stroke from the exhaustion. With the average age of Tennessee farmers at 57, it can be assumed that the average for tobacco farmers anywhere, would be very close (TN Ag. Agent 1 2006).

The majority of the farms located in my Tri-State study are involved in diversified agriculture; not only do they, or have they, produced tobacco, they also raise cattle and other commodities. Yet, it is important to remember that, to these families, tobacco was the mainstay of their income in past years. One should also take into consideration that the public is definitely not ‘farm friendly’ as it was in years past. Fifty years ago, the general public had a history of farm or rural upbringing. They knew and understood farm life, what it involves, and the reasons for it. These days, as farms have been sold and subdivisions built in areas that just years before were totally agricultural, the homeowners have less respect for the neighboring property, the smells, and the way of life. According to U. S. Representative William “Bill” Jenkins of Rogersville,

> My suspicion is that of those families that are out there, many of them are aging. Many of them want to get out of the tobacco business. Profits are not what they once were in the tobacco business. Some of them will leave for that purpose. I look for a majority of people who own tobacco allotments and who grow tobacco to get out of the business. This is going to give them some compensation for their property right and leave this crop that has been with us since colonial days and was the backbone of at least four colonies (Hayes 2004:1-2).

The question is, will the compensation from the buyout (meaning money paid out over 10 years) be enough to aid farm families as they leave an industry that for years has been their main source of income?

Raising a crop of tobacco was the mainstay of all farms in my area of study, and if the owners were not able to raise the crop, selling their poundage was an alternative source of economic security (Reaves 2005:2). As a direct result of the tobacco buyout, the quota system ended on October 22, 2004, when President Bush signed the American Jobs Creation Act and with it, a system of price support that had ensured tobacco farmers a fair price for their crop over the years (Farm Service Agency 2005:2).

From an interview with a representative of R. J. Reynolds, Congressman Bill Jenkins stated in testimony before Congress that the tobacco executive admitted out of the total cost of a pack of cigarettes, the farmer receives only three to four cents (Brooks 2005:2). However, tobacco still accounted for almost one dollar out of every $10 from agricultural receipts in the Volunteer State during the year 2000 and was the leader of all crops in revenue from farm sales. Tobacco was still leading the way economically for the state in 2000, although “tobacco receipts were down 8% compared to 1999 to just under $200 million, the lowest level in more than a decade” (Tiller 2000b:2). Tobacco, along with cotton and soy beans, have been the top three money producing crops in the last 10 years in the state of Tennessee (Tiller 2000b:2). Tennessee ranks second only to Kentucky in the number of farms producing burley tobacco, and is third in the nation as far as pounds produced, although this number is steadily declining. A farm is considered a tobacco farm if one half or more or its income is from the production of tobacco (Tiller 2000b:3).

> Tobacco acreage in Tennessee has declined significantly since the late1990s. During the 1990s, tobacco acreage in Tennessee ranged from 52,000 to 72,000 acres, averaging 61,000 acres over the last decade. Acreage increased through 1999 when it reached 63,000 acres. Tobacco acreage has fallen from 63,000 acres in 1999 to 46,000 acres in 2000 (down 27%) and 41,000 acres in 2001. Since 1999, tobacco acreage in the state has been reduced by more than one third. Tobacco production in Tennessee (and throughout the tobacco-growing

Southeast) has declined significantly since 1999 (Tiller 2000b:3).

The period of increase and then the more recent decreases in the production of burley tobacco in our country can be seen in Table 1. The decline between 1997 and 2002 is particularly noticeable.

Table 1. Estimates of U.S. Burley Tobacco Production Over Time

Year	Acres	Pounds	Avg. Price / lb.
1940	360,300	376,644,000	$0.162
1953	419,700	564,413,000	$0.525
1997	315,300	649,103,000	$1.880
2002	157,700	299,800,000	$1.980
2003	152,300	270,746,499	$1.980
2004	153,150	280,108,406	$1.990
2005	107,600	203,740,000	$1.645

Source: Burley Stabilization Corporation, 2005.

From the Burley Stabilization Corporation, under the heading Domestic Supply and Production Forecast, the following predictions were made:

> U.S tobacco growers indicated on March 1, 2005 that they intended to harvest 319,860 acres of tobacco (all types) during the 2005 season, the lowest since the 1800's, and 22 % less than was

> harvested in 2004. If yields are average, production is expected to be around 683 million pounds, as much as 200 million pounds below 2004.
>
> Farmers indicated on March 1st their intention to harvest 108,300 acres of burley tobacco during the 2005/06 season. With normal yields, this would result in a crop of about 210 million pounds, 30 % below the 2004/05 crop (Sept.12, 2005:17).

Actual calculations for the 2005-2006 sales will not be available until March 2007 although Kelly Tiller has projected them as slightly increased, but not by much. Figures for the 2006/07 sales are not available because sales are still in progress. Production for the 2004 growing year was down by 2%. The states of Tennessee, Virginia, and North Carolina produced 60.9 million pounds, down from the 2003 total of 62.1 million pounds.

It is estimated that in 1994, tobacco was responsible for the employment of almost 156,000 people just from retail sales alone, with their pay totaling over $2.7 billion dollars. Ninety-nine thousand people worked as wholesalers taking in over $3.8 billion in annual income and benefits (Brown & Williamson Tobacco Corporation 1994-1995:8). Also in 1994, nearly $27 billion of tobacco products were sold, with exports valued at $5.4 billion. This effort employed more than 42,000 people (Brown & Williamson Tobacco Corporation 1994-1995:6).

The economic impact multiplies when growers, manufacturers, retailers and distributors turn around and spend tobacco money on other things. All people require the necessities of life, but, in turn, tobacco funds have bought homes and cars, put children through college, paid taxes, etc. The same tobacco industry also "accounted for 600,000 jobs and $15.1 billion in wages and compensations in 1994" (Brown & Williamson Tobacco Corporation 1994-1995:11). "The industry's expenditures created an additional 1.1 million jobs and over $39 billion dollars in wages and compensation" (Brown & Williamson Tobacco Corporation 1994-1995:11).

> About 31% of the retail price of all tobacco products sold in the U. S. goes to federal, state, and local treasuries in the form of consumer excise and sales taxes. In 1994, tobacco generated almost $6 billion in federal excise taxes and more than $9 billion in state and local taxes. The amount paid in federal excise taxes would foot the bill for all of NASA's space flights on an annual basis (Brown & Williamson Tobacco Corporation 1994-1995:11-12).

"The entire business from field to supermarket shelf–generates about half a million jobs, of which the U. S. Department of Agriculture estimates 156,000 are on the farm" (Heyes 1999:76). Cigarette makers have painted a pitiful picture of family farmers should the time ever come when they could not raise the crop. In fact, the scenario carries some truth. There is no other crop that can be raised in this part of the country that brings in as much revenue per acre as burley tobacco (Heyes 1999:76).

Not only are farmers hurting from the cutbacks, but warehouses and the many people they employ are drastically affected. In a recent article in the Bristol Herald Courier (December 1, 2005), there was a picture of the Southwest Tobacco Warehouse in

Abingdon, VA owned by Tom Bundy. Mr. Bundy states that he “cancelled an auction set for Wednesday when too little tobacco was brought in for sale” (Sieber 2005).

> Except for a few stacks of tobacco lining one wall, the Southwest Tobacco Warehouse sat empty on Wednesday. Ordinarily, it would be filled with burley as well as farmers, auctioneers, spectators, and buyers. “We have to have a minimum of 50,000 pounds to sell,” said warehouse owner Tom Bundy, who was forced to cancel the first tobacco auction of the season (Sieber 2005).

Nearly 142,000 workers are involved just in the growing of the crop, (the people who work in the fields) and they are estimated to earn $929.8 million dollars every year (Parker-Pope 2001:21). As soon as the crop is cut, hung, cured, taken down, stripped, and graded by the farmer, it is taken to the warehouse where it is sold at auction or stored. Jobs number 11,000 for those that auction off and store the tobacco in warehouses and they are paid $162.5 million (meaning auctioneers and those who own operate the warehouses). When the raw product goes to the cigarette manufacturer to be turned into a useable consumer product, 42,000 persons earn another $2 billion dollars in just the rolling process alone (Parker-Pope 2001:21). The difference in these figures is based on the contrast between who might own a warehouse as opposed to someone earning hourly wages standing at a machine. Now think of the truckers who haul the product all over the nation, the people who load and unload the trucks at docks, and the store clerks who mind all the 7-11’s and Appco’s. There are also many people who depend upon tobacco for their livelihood providing fertilizer, fuel, chemicals, pesticides, and paper all resulting in the finished product. “All told, more than 662,000 workers in the United States alone owe their livelihood–an estimated $15.2 billion in annual wages–to the business of growing, distributing, and selling tobacco products” (Parker-Pope 2001:22). This figure represents the sum of wages for the areas listed above. (Those that work in the fields, roll the cigarettes, and auction and operate/own the warehouses). As those people in turn live their lives and purchase what they need–another 1.15 million jobs are created resulting in $39 billion in paychecks for those who serve the consumer. All this influence from one single plant, the “direct and indirect jobs and salaries” (Parker-Pope 2001:22) causes the tobacco industry to alone be responsible for $54.2 billion in American wages–which is close to 2 % of the GNP. Americans spend more money on tobacco (approximately $53 billion dollars) annually, than they do dressing their children, eating at McDonalds, or having dental work done. The tax collected on tobacco products almost equals $50 for every person in this country from collections made by federal, state, and local governments. Compare that to the $300 billion that smokers around the world actually spend on cigarettes (Parker-Pope 2001:22-23).

> Whether it’s through the state-controlled monopoly of China or the heavily taxed smokers in Scandinavia, governments around the world are profiting from cigarettes. In Western Europe, more than 70% of the retail price of cigarettes is tax. In Brazil it’s 55%. In Australia and Japan, more than 60% of the purchase price goes into the national treasury. In the United States, home to some of the world’s fiercest anti-tobacco rhetoric, taxes are surprisingly low—about

40% of the money spent on a pack of cigarettes goes to federal, state, and local tax authorities. (In the United States, state cigarette taxes vary widely, from a low 2 1/2 cents a pack in tobacco-friendly Virginia to $1.11 per pack in New York.) These taxes amount to billions of dollars in revenues to national treasuries (Parker-Pope 2001:39).

CHAPTER 3

RECENT DEVELOPMENTS IN THE TOBACCO INDUSTRY

Attitudes toward smoking have dramatically changed over the past 30 years. The commercials advertising tobacco products on television are forever gone and have been for some time. The NASCAR racing circuit has ceased to cater to the tobacco industry with labels, slogans, and insignias. The role of a smoker has changed from that of an accepted social practice to that of one defiled and denigrated by many who consider it to be a detrimental and disgusting habit.

"Governments around the world often levy high taxes on cigarettes as a way to stifle smoking. Yet at the same time, government officials are often willing to aid in the spread of tobacco" (Parker-Pope 2001:40). For instance, in 1966 around the time that smoking was determined to be dangerous, our government sent 600 million cigarettes as a relief measure to India–a country trying to recover from a severe flood (Parker-Pope 2001:40-41).

"The cigarette is the only manufactured product found in almost every corner of the world, and it is recognized-if not used–by virtually every human being on the planet" (Parker-Pope 2001:1). It is as if every child born has an instant allocation of 50 packs due at birth as tobacco companies of the world produce nearly 5.5 trillion cigarettes yearly. The estimated cost of production is far less than one would expect at 18 cents per pack, allowing a profit for the tobacco companies of 40% to 50% while tobacco farmers receive only 3 cents for their efforts (Parker-Pope 2001:26-27).

Health Concerns and Costs of Tobacco

At the same time that the tobacco industry claims a central role in the U.S. economy, it is also responsible for great social costs in health care, nationally and globally.

> The World Health Organization (WHO) estimates that tobacco kills 3.5 million people around the world annually, accounting for about 7% of all deaths worldwide. That number is expected to grow by 2020, when tobacco will be blamed for 17.7% of all deaths in the developed world and 10.9% of deaths in developing nations (Parker-Pope 2001:110-111).

In America, more than 400,000 people die each year from illnesses caused by tobacco (Heyes 1999:57). In 1950 there were three major studies completed that showed tobacco smoke's link to lung cancer. However, it was 1964 before the Surgeon General came forth with the statement that cigarette smoking could be hazardous to your health and in 1965 a law was passed by Congress requiring the warning on cigarette cartons. In 1972, all smokers had to sit in a special section on any flight yet, it was 16 years later that all smoking was banned on airplanes. It was not until 1986 that the dangers of secondhand smoke were realized (Heyes 1999:143-144).

There are approximately 25 diseases that tobacco is known to, or likely to, cause in those who use it or are exposed to it. Some of the diseases caused by tobacco use are: cancer in the throat, mouth, and esophagus, but more often in the lungs. Also affected by smoking are increased risks for heart disease, stroke, and high blood pressure. Mothers who smoke risk miscarriage, low birth weight, and delayed development in their newborns. Second hand smoke is known to increase the risk of sudden infant death and respiratory distress in children. (People who smoke over their entire life have a 50% chance of dying from one of the aforementioned illnesses and can anticipate 22 years less in life expectancy with half dying before the age of 70) (Parker-Pope 2001:111). Lung cancer was extremely rare before the 20th century (Parker-Pope 2001:112). "Lung cancer is the developed world's most common illness" (Singh 2004:1). Worldwide, lung cancer causes up to three million deaths a year and while it predominately affected men, the rate for women has increased in the last few years. The survival rate for lung cancer is such that only one in 10 will live five years after being diagnosed (Lung Cancer 2006:1). A fact that is really alarming is that 15% of people diagnosed with lung cancer have never smoked in their entire lives (Coscarelli 2006:1). Chronic Obstructive Pulmonary Disease (COPD) is listed as fifth in rank of the cause of death by disease. Conditions such as emphysema and chronic bronchitis plague many who have smoked regularly (Henningfield 1985:46).

Many substances in tobacco smoke are considered harmful and of undisputed importance. Three of the most important are: tar, carbon monoxide, and nicotine. Tar hurts the smoker by filling tiny air holes in the lungs caused by deep inhalation. Tobacco that is chewed or dipped as snuff does not deliver tar to its user, however, nicotine and carcinogens are delivered and absorbed in the cavity of the mouth. "Snuff dippers have several times as high a risk of oral cancer as people who don't use tobacco. With long-term use, that risk may be fifty times as high as a nonuser's" (Henningfield 1985:59).

Carbon Monoxide (CO) gas results from the burning process and a shortage of oxygen supply. Nicotine occurs naturally in the leaves of the tobacco plant and is thought to be a stimulant to some as well as a relaxant to others. It is easily absorbed through the skin of the nose and mouth, and while not considered as hazardous as tar or carbon monoxide, it has an addictive nature (Henningfield 1985:31-37).

Tobacco smoking in the United States has sharply declined because of stop smoking campaigns and the awareness of serious health complications. It is noted that in 1966 American adults participated in smoking at the rate of 43%, but 30 years later this number was down to nearly 25% (Heyes 1999:13).

The Strategy of Big Tobacco

During the 1980s, Big Tobacco took huge steps to offset declining use and increasing condemnation from anti-smoking advocates in the U.S. Tobacco companies wanted to increase their business abroad, supposedly because of the pressure they were under about the health risks of smoking and the stop-smoking campaigns.

> The collapse of Communist governments in Eastern Europe at the end of the 1980s provided another opportunity for Big Tobacco to move into markets from which it had been shut out. There, it did more than just import cigarettes made by well-paid American workers. National economies were in ruins after decades of domination by the Soviet Union: Factories were crumbling, pay was low, consumer goods were of wretched quality. American and European tobacco companies came to the rescue, bringing outdated

> factories back to vitality, generating jobs, and making milder-tasting American-style cigarettes available.
>
> Within five years, the foreign companies bought control of all the cigarette factories and the Czech Republic and Slovakia, all the state owned cigarette factories in Hungary, and almost half of the cigarette-making capacity of the former Soviet Union (Heyes 1999:102).

But China was the prize to win with 300 million smokers noted for consuming one-third of the world's cigarettes, and their habit was on the rise. After some resistance, the United States edged in. The American tobacco companies entered into cooperative agreements with the Chinese government, setting up factories to produce cigarettes, as explained by Heyes:

> The globalization of Big Tobacco has also reached clear back to the industry's roots--literally. With the help and encouragement of American tobacco companies, farmers in other countries have learned how to grow tobacco that rivals American–grown leaf in taste and quality. And because their costs are much lower, they can grow it more cheaply. In the middle of the twentieth century, the United States accounted for about 60% of the world's tobacco exports; by the end of the century, that figure had dropped to about 10% (1999:106).

It is no accident that the tobacco industry has moved overseas. American tobacco companies have promoted and financed the growing of the crop in other nations by providing seed, fertilizer, chemicals, and money for the building of curing barns and the purchase of land. They have built processing plants that are as fine as any seen in the United States. Farming practices elsewhere were still done in traditional ways-using draft animals to plow and tend the crops; however, constant efforts are made to educate and inform farmers of more modern techniques. The result is that many American farmers are left high and dry while the product being produced in foreign markets is every bit as good as anything ever grown here, and for at least one-third the cost. When foreign farmers have everything provided for them, they can succeed. Tobacco companies have favored foreign farmers and, now, demand for American grown tobacco is down (Heyes 1999:106-107).

Tobacco companies have also broadened their financial interests and protected their futures by buying into the food industry, which proved to be not nearly so vulnerable to criticism. R. J. Reynolds bought Nabisco, Canada Dry, and Sunkist, makers of Oreos and Ritz crackers and now goes by the name of RJR Nabisco. Philip Morris bought General Foods and Kraft, changing the name to Kraft Foods, Inc. and claiming responsibility for producing goods such as Grape-Nuts, Jell-O, Oscar Meyer, and Maxwell House. This company did not stop with bologna and cereal; Philip Morris went on to acquire a beer company (Miller Brewing) and many other interests such as real estate, financial services, and insurance (Heyes 1999:108).

> With its array (of) non-tobacco businesses and its growing presence overseas, Big Tobacco gradually put together a global enterprise that could survive and prosper even without the help of smokers in the

United States (Heyes 1999:108-109).

More recently, on January 27, 2003 Philip Morris changed its name to Altria Group, which means, “reaching ever higher” (Altria 2006:1).

> Altria Group became the parent company of Kraft Foods, Philip Morris International, Philip Morris USA, and Philip Morris Capital Corporation. Collectively, these companies form the Altria family of companies. Previously, Altria Group was named Philip Morris Companies (Altria 2006:1-2).

They have two reasons for doing this: they wanted to form a parent company distinguishing between Philip Morris USA and Philip Morris International. Their interests have changed with ventures like Kraft and Miller and they anticipate future change, they wanted to verify who they are now and what they will become. They deny that this Altria name change is an effort to distance them from tobacco (Altria 2006:2).

According to tobacco industry analyst David Adelman of Morgan Stanley Dean Witter, tobacco as a business is phenomenal. The tobacco empire offers everything an entrepreneur looks for:

> What’s a business that’s attractive where I would want to put my money? Tobacco has high margins, high returns, pricing flexibility, strong established brands and behaves as an oligopoly. It’s very much fa growing global business around the world (Parker-Pope 2001:26).

Around the world, there are five organizations that handle 77% of the tobacco business, mainly responsible for cigarettes. The country of China has a state-owned monopoly called the China National Tobacco Corp and is the largest. Philip Morris of New York is not far behind followed by the British American Tobacco PLC (BAT), R. J. Reynolds, and Japan National Tobacco Company (Parker-Pope 2001:30-31). "In the United States, the business is even more concentrated, with four big firms producing 97% of the cigarettes. Known collectively as Big Tobacco" (Parker-Pope 2001:37).

The major cigarette manufacturers all are interested in seeing that the developing countries of the world get in on the tobacco business. Here in America, the price of tobacco was kept high by the price supports and farm cooperatives working to help American farmers, by looking out for their interests. In foreign countries farmers raise tobacco by contract with the tobacco companies. This results in great savings for the tobacco companies. So much so, that they have gone to great lengths to assure success for the foreign crop:

> To guarantee a high-quality crop in the developing world, the cigarette makers have helped build the agricultural infrastructure in the region. Tobacco companies spend millions educating farmers about growing methods and have offered financial assistance to help farmers giving the tobacco companies far more control over the cultivation process in the developing world than they have over U. S. farmers (Parker-Pope, 2001:60).

In terms of imports and exports and how they affect the U. S. tobacco farmer, we must consider China as it is the world's largest producer and user of tobacco. The tobacco used in China is mostly homegrown. The United States does not produce nearly what China does, but at the same time, we are the largest importer and exporter of tobacco, with our imports largely consisting of Oriental leaf blended into American cigarettes (Parker-Pope 2001:60-61).

CHAPTER 4

PHASE I, PHASE II, AND THE BURLEY TOBACCO BUYOUT PROGRAM

The current program was staged in two parts: Phase I and Phase II together were the first stage. This program was called the MSA or Master Settlement Agreement. After the buyout occurred on October 22, 2004, Phase II (although in progress) dissolved, meaning that the buyout was a separate program in itself and partially encompassed what Phase II was about. This change in no way means there are three phases. Phase I gives money to the states to cover the costs of smoking related illnesses. Phase II gives funds to quota holders and producers. The buyout gives money to producers and quota holders to compensate them for losses as a result of the quota cuts and loss of the price support system.

Phase I

"The $246 billion settlement reached in 1998 between the major tobacco manufacturers and the states is generally referred to as the Phase I Agreement" **(**Phase II Settlement Administrative Services 2006:2**),** and "referred to as the Master Settlement Agreement (MSA)---is the largest civil settlement in U. S. history" (General Accounting Office 2001:5)**.**

> The spirit and intent of the MSA was to provide states with funding for tobacco use prevention programs that would ultimately lower the prevalence of tobacco use, thus lowering medical costs to care for

> citizens with tobacco-related diseases (Virginia Tobacco Settlement Foundation 2006:1). The payments will run for 25 years (Tiller March 2, 2001a:1).
>
> After a year and a half of negotiations and failure of an earlier settlement proposal to obtain Congressional approval, the four largest cigarette manufacturers reached a settlement with 46 states over state claims against the tobacco industry on November 23, 1998 (Tiller March 2, 2001a:1).

Health concerns and restrictions on smoking have contributed to a 14% drop in tobacco use and sales since 1996. Furthermore, the systematic increase in use of foreign tobacco has further reduced demand for domestic tobacco production. Consequently, the United States tobacco policy dictates that American farmers along with quota holders must be compensated for this loss of their livelihood (Brown & Snell 2003:2).

As stipulations of the agreement, the tobacco companies were to agree to limit their marketing promotions, curb their advertising, and provide money for campaigns aimed at anti-smoking, among other calculated limitations (Tiller 2000a March 10:1). "According to terms of the settlement, payments are divided among participating states according to each state's share of Medicaid funding, which is largely population based" (Tiller 2001a March 2:1). Each state has the choice of how the money will be spent. The money will go into each state's general fund, and there the state legislatures will decide how it will be used. Most states only allow the legislative body to decide what will be spent during its term and require yearly or twice yearly decisions to be made about any spending of settlement dollars. But a couple of states have set up trusts that will serve several years of appropriations "and some states are considering securitization of expected payments" (Tiller 2001a March 2:1).

Of the 43 states that have finalized decisions about what will be done with the money, all designated some of it toward health priorities. Most of the states have set aside part of the money toward the prevention and reduction of tobacco use. Other planned uses are to go toward older persons, drug costs, research of chronic diseases and conditions, and the ever-increasing costs of the Medicaid program. Still other plans include scholarships for children of tobacco producers, the building of schools, the reduction of illiteracy, and other programs (Tiller 2001a March 2:1).

Phase II

In contrast to Phase I, the Phase II agreement,

> arose from a separate agreement between the tobacco manufacturers and the attorneys general of the fourteen tobacco producing states. The fund was established to offset anticipated losses which may be experienced by tobacco growers and quota owners as a result of reduced sale of cigarettes following the Phase I Settlement (Phase II Settlement Administration Services 2006:2**).**

In other words, Phase II was designed to offset the negative effects of Phase I. It was designed as the second phase of the MSA. "Burley tobacco is produced in the States of Alabama, Arkansas, Georgia, Indiana, Kansas, Kentucky, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Virginia and West Virginia" (Farm Service Agency 2005:3-4). Payments for Phase II nationwide were supposed to total $5.15 billion paid out over

12 years and based on each state's share of 1998 tobacco quotas (Tiller 2001b:1). Payments were estimated to begin in 1999. This figure is only what was proposed for Phase II because it began and then was replaced by the Tobacco Quota Buyout. Why did this occur? In 2004, the American Jobs Creation Act was passed and it held specifications stating that if a quota buyout ever occurred and was passed, funding for Phase II would be dissolved. However, Phase II did run from 1999 to 2005 and that was six of the12 proposed years (Morgan Chase personal communication 2007a). The exact total paid out in Phase II over the six years is not available according to an associate of J. P. Morgan Chase. To obtain this information would be an invasion of privacy However, the above figure divided in half comes to approximately $2.575 billion and we can assume this amount to be relative to what was paid out over this time. Phase II was formerly called the National Tobacco Grower's Settlement Trust Fund, and later came to be known as Phase II (Morgan Chase, personal communication, 2007b).

The Phase II Agreement stipulated that the funds would go solely to those who produced tobacco and those who owned the quotas, as they experienced the greatest economic loss by state lawsuits from industry settlements. This money could not be used for anything such as warehouse owners or any agricultural development plans or for any other purpose than to go directly to tobacco growers and quota owners.

Payment would be only for the type of burley tobacco grown and used in domestic cigarettes. Each state must form a board responsible for distributing funds among those eligible. Each individual state board would determine how the money would be paid out among those who grow the crop, particularly tenants, owners, and those who lease. In the areas where burley was grown, it was expected that payments would lean toward those who grow the crop, who naturally share a much greater financial risk (Tiller 2001b March 2:1). Each state decided how it would distribute the Phase II money.

The Burley Tobacco Quota Buyout

However, in the midst of Phase II, the Burley Tobacco Quota Buyout was proposed by Big Tobacco and the importers and manufacturers of tobacco products and on October 22, 2004, Phase II ended. Although Phase II had begun with several payments to producers and quota holders, the buyout proposal was initiated and passed. The Tobacco Quota Buyout initially was to compensate quota holders alone for the loss of their farm's quota. Yet, great objections by the growers for being left out, resulted in them receiving a portion of the money that would have gone to just the quota holder.

Following are the proposed stipulations of the tobacco settlements, both the Phase I, and the Phase II (MSA), which was replaced by the Burley Tobacco Quota Buyout, for the three states listed in this study.

Phase I in Tennessee

The state of Tennessee was expecting close to $4.8 billion from the Phase I MSA. This was to be paid out over the next 25 years. The state of Tennessee was in a problematic situation concerning when it could receive its Phase I or MSA money. Tennessee was one of just a few states that had not finalized all its lawsuits challenging the settlement and until it did, was not eligible to participate. If Tennessee had not gotten all of this finalized by December 31, 2001, it would not have been allowed to participate in the settlement (Tiller 2000a March 2:1). Tennessee had already received nearly $200 million through the last month of the year 2000, and was looking forward to about $350 million by June 2001. The Tennessee legislature later decided to split the $350 million by dividing it between agriculture and health (Tiller 2001a March 2:1).

The plan was to use exactly one half of the money to promote agricultural development in the state of Tennessee. This one half was to first formulate alternatives for farmers leaving the tobacco business. Other goals were to aid industrial/agribusiness, to create and expand processing facilities associated with agriculture, to promote agricultural marketing procedures and development, and lastly to finance some form of educational assistance and generally promote the well being of agriculture production and its effectiveness and efficiency in the market structure. The education assistance was proposed to come in the form of scholarships for students whose families were feeling the effect of the buyout (Tiller 2001a March 2:2).

> Educational assistance funds could be used for scholarships for persons directly or indirectly affected by changes in the tobacco and/or agricultural economy or it could provide scholarships for students who agree to provide services in rural or underserved communities such as nurses and teachers. Guidelines for scholarships and educational assistance would be determined by an advisory board. All agricultural development programs would operate through the Tennessee Department of Agriculture (Tiller 2001a March 2:2).

The Tennessee legislature proposed to use the other half by allocating $37 million to health programs, with $22 million going towards,

> tobacco prevention and cessation programs and $15 million for comprehensive school health programs. The committee also recommended allocating $30 million to six hospitals to reimburse them for the cost of treating sick smokers (Tiller 2001a March 2:2).

In addition, another $10 million was to go towards the prevention of tobacco use, tobacco addiction, and research. Also, $5 million each was to be allocated to administration and voluntary programs to stop smoking, $3 million to encourage minorities not to start smoking, $2 million for other anti/stop smoking programs, $1 million to a certain specialized lung treatment center, and the final $1 million to the Department of Health oversight and grant writing (Tiller 2001a March 2:2). The legislature wanted to put the other $90 million aside and use only the interest from it if any other health issue need arose. They also wanted any future money after 2001 to be set aside for use by the Health Department alone (Tiller 2001a March 2:2). There was some apprehension that the money proposed for all these things beneficial to agriculture might instead be used to balance the Tennessee State budget. “It is expected that the recommended uses may compete with using the money to avoid a projected budget shortfall” (Tiller 2001a March 2:2). In reality, this is exactly what has happened**.** Almost all of the money went to balance the state budget. Tennessee received its first Phase I money in 1999. According to Ag Agent 1 in Sullivan County, Tennessee,

> The Phase I money in Tennessee was held in escrow and eventually our state legislature decided that the best and proper use for that money was to be paid directly into the state budget to settle some

> debts that were incurred because of our program with TennCare. The TennCare program, a health care system had become so expensive, it was essentially putting Tennessee in debt and we were required to balance our budget each and every year and the money was utilized for that. Subsequently, in 2006, Commissioner Kim Gibbons along with the State Department of Agriculture and legislature approved to use or to essentially to give 4 million dollars and it was divided between counties. That was used in handling facilities, to buy bulls, or in education (to learn) artificial insemination, but it was a state animal enhancement program and it was to help compensate because those funds were taken from us to start with (Ag Agent 1 Sullivan County TN 2006).

To put it plainly, there were bad feelings about using Tennessee's Phase I money for TennCare so it was decided to help farmers in an alternate way in late 2005/early 2006. Training was offered on the artificial insemination process. They also decided to provide money if a farmer wanted to remodel or build a cattle chute. A cattle chute or working pen is a place where you hold and control your cattle when you have to sort or doctor them. They offered up to $800 dollars on the cost of equipment that would allow a farmer to build this. Also included in this deal was a plan whereby a farmer could buy a registered bull. Part of the understanding for this agreement was that the Agriculture Department would reimburse $700 dollars of what might be spent, but no more. If a farmer spent $10,000 dollars on a bull, they would still only pay up to $700 dollars. If they spent $1500 dollars on a bull, they would only get back $500 dollars or one third of the cost. Of course, not everyone needed a bull or cattle chute. Many people felt it might have been more practical to offer the money to every farmer so that it might be used for hay fertilizer or fuel which was higher this spring than ever before; good quality hay being a necessity if you are in the cattle business.

The state will receive the Phase I money until 2025, but this does not mean that farmers will be given money to buy bulls or build cattle chutes every year. This was the proposal for 2005 yet in 2006/2007, they again offered some compensatory funds. According to Sullivan County’s agent, money will be provided to farmers for (help in building) hay storage facilities to again compensate them for funds lost from Phase I (TN Ag Agent 1 January 6, 2007).

<u>Phase II in Tennessee and Introduction of the Buyout</u>

Phase II or the National Tobacco Growers Settlement Trust Fund, had language in it that required, “for participating manufacturers to meet with representatives of major tobacco producing states to come up with a plan to help compensate tobacco growers and quota holders for declining tobacco consumption and demand resulting from the settlement” (Tiller 2001b March 2:1). In this Phase II settlement, an estimated $390 million was to be paid only to Tennessee tobacco growers and quota owners over a 12-year period with originally 80% proposed to go to growers, who in burley regions naturally share the greatest risk in the production of the crop, with 20% to quota holders (Tiller 2001b March 2:1). As a precautionary measure, many farmers continued to raise tobacco wondering about the years that would be chosen to base the buyout on.

(Meaning, farmers wanted to raise as much as they could to assure getting the most payment out of the buyout. It was not made clear the year that would be chosen, so they kept on raising tobacco because they did not want to be cut short by decreasing production for the reference year). Unfortunately, the years that would have resulted in a greater payment to farmers for what they would have raised were during the mid to late 1990s. However, the quota cuts unfortunately coincided with the years that the settlement was based on, assuring tobacco farmers of much less than what they would have received if payments were based on earlier years. It was a congressional decision deciding the years to base payments on (drafted legislation) (Tiller 2007 personal communication). It appears then that the decision for this date was manipulated so that no more was paid than necessary.

Now that Phase II is gone and replaced by the Burley Tobacco Quota Buyout, the state of Tennessee will receive $388,852,247 for the quota holder's share of the burley tobacco payments. The Tennessee producer/grower will receive $198,441,813 for their share with these two categories totaling $587,294,060 spread out over the 10 years (Tiller 2005:4). The proposal for Phase II that favored growers because of their greater financial risk, instead favored the quota holder in the buyout. Yet, according to Kelly Tiller, the grower had more political pull than the quota holder because initially, growers were not intended to get <u>any compensation at all</u> from the buyout. It all was proposed to go the quota holder alone. However, there were enough objections to result in the divided payment. This applies to all states involved, not just the state of Tennessee (Tiller 2007 personal communication).

Phase I in Virginia

Based on a statement by APAC (Agricultural Policy Analysis Center) on March 2, 2001, the state of Virginia was hoping to receive $4 billion dollars for its share of the Master Settlement over the next 25 years. Remember that the Phase I or Master Settlement money is intended to cover the cost of caring for sick smokers.

> Virginia passed legislation in early 1999 allocating 50% of all settlement payments to a Tobacco Indemnification and Community Revitalization Fund with a governing board that will compensate tobacco farmers for loss of assets and promote economic growth in tobacco dependent communities (Tiller 2001d March 2:2).

The remaining 50 %will be divided as follows: 10% going to help stop smoking in Virginia's youth and the other 40%is allocated by legislation. In the years 1999 and 2000, over 42,000 growers and quota owners received more than $62 million. Several community colleges received generous allowances of $6 million and the institution of Virginia Tech alone received $11.6 million to aid in their research on animal and plant genetics (Tiller 2001d March 2:2).

Phase II in Virginia and Introduction of the Buyout

Virginia was expecting $357 million over 12 years. Specifically, the state of Virginia had planned to divide their Phase II payments in the following way: Growers of burley would get 75% of the money based on the 1998 effective quota and marketing (how much they raised and sold). The remaining 25% of the money would go to the quota holders based on the quota their farm held in 1998 (Tiller 2001c March 20:2).

But again, Phase II was dissolved when the Burley Tobacco Quota Buyout came into play in the state of Virginia. The state of Virginia will receive $84,425,572 for the quota holder's share and producers will get $49,167,447, a total of $133,593,019 for the state as a whole spread out over the 10 years of the buyout (Tiller 2005:4).

VA Ag Agent 1 commented that Virginia growers were somewhat unhappy with the $3.00 share they were given as opposed to the $7.00 that went to the quota holder. A lawsuit is actually going on now in Virginia over how the grower's portion was determined.

<u>Phase I in North Carolina</u>

North Carolina is the largest tobacco producing state in the nation (Phase II Settlement Administration Services 2006b:2). However, tobacco grown in the state of North Carolina was down in its acreage for the year 2005-that is except in the eastern part of the state. The number of people growing tobacco was also down and Blake Brown from North Carolina State University is expecting that figure to really plunge in 2006. Brown's real concern is how tobacco farmers will use the buyout to replace their income from tobacco (Reaves 2005:2).

The state of North Carolina hopes to receive nearly $4.6 billion from the Master Settlement Agreement or Phase I, for 25 years. This money will go straight into the state's general fund just like tax money, and will then be allocated in varying amounts to the following three foundations established by the North Carolina's General Assembly:

The Golden L. E. A. F. Foundation will receive $2.3 billion to aid and assist communities affected by the loss of their income from tobacco; the Tobacco Trust Fund will receive $1.15 billion (aiding tobacco producers, quota holders, and tobacco workers); and the Health and Wellness Trust Fund will receive $1.15 billion (for health-related programs) (Phase II Settlement Administration Services 2006:2). As of 2001, Golden LEAF had awarded over $5 million to numerous projects such as alternative employment and crops, research, and economic development. It is expected that the majority of this money will be in the eastern part of the state where flue-cured tobacco is grown, although the western burley region will not be forgotten. It is hoped that any remaining money will be used to help students coming from families with tobacco history with their college education or to help tobacco farmers convert their barns used for hanging tobacco to some other use (Tiller 2001d March 2:1).

Phase II in North Carolina and Introduction of the Buyout

$1.97 billion was allocated for North Carolina and was to be paid out directly to growers and quota holders over a 12-year period. The crop year that was to be paid on was to be decided each year by the Phase II board as well as the split of the funds as to how much was distributed among growers and quota holders (Phase II Settlement Administration Services 2006b:2).

> The North Carolina Phase II Tobacco Certification Entity, Inc. is a private, non-profit organization with a Board of Directors consisting of 14 members. As prescribed by the Trust Agreement, members of the Board include six tobacco growers and quota owners, the Governor,

> who serves as Chair, the Commissioner of Agriculture, who serves as Vice Chair, the Attorney General, who serves as Secretary, two members of the State's Congressional delegation, two members of the State legislature and a prominent citizen of the State. An Executive Director, John Ray Davis, manages the day-to-day affairs of the Phase II Certification Entity (Phase II Settlement Administration Services 2006b:1).

As of 1999, it was predicted that one half of the money would go to growers and one half to quota owners (Tiller 2001c March 2:1). But again, with the closing of Phase II in North Carolina and the installation of the Burley Tobacco Quota Buyout, things have changed. The state of North Carolina can now expect $66,824,114 for quota holders and $47,639,445 for growers totaling $114,463,559 for the state as a whole, spread out over the 10 years (Tiller, 2005:4).

<u>Specifications of the Buyout Program</u>

What is the Burley Tobacco Quota Buyout and how is it different from Phase I and Phase II?

> A tobacco quota buyout was included in the American Jobs Creation Act of 2004, which was signed and enacted on October 22, 2004.
> The tobacco quota buyout terminates the federal tobacco price support and supply control programs (beginning with the 2005 crop), makes compensation payments to tobacco quota owners and active tobacco growers for the elimination of the tobacco quota asset, and provides

> for the orderly disposal of existing tobacco pool stocks
> (Tiller, Snell, & Brown 2005:1).

The buyout should total no more than $10.14 billion over a period of 10 years. Payments will start between June and September of 2005 and, after that, payments will come each January beginning in 2006 and ending on September, 30, 2014 (Farm Service Agency 2005:1,3). This buyout is the single most important change in the tobacco practices of the US since 1938. This change has now given tobacco the notoriety of being the only government supported commodity that is now completely changed to a free-market policy. It is predicted the biggest part of the money will go to nearly 300,000 producers/quota holders averaging almost $32,000 per person over 10 years. It was a hard political struggle to get this buyout passed and while it might have been better, "including more money, safety nets, assurance of Phase II. The reality is that a *better* buyout would have never passed and a lot of political capital was spent to enact *this* buyout" (Tiller 2005:1). If this buyout had not passed, the tobacco program (meaning the quota/price support system) would have dissolved within three years anyway and there would have been no money to pass out to producers/quota holders. This means if the buyout had not gone through, there would have been no program at all: Phase II, the buyout or otherwise. There would have been no money to pass out to anyone. The price support/quota program would have been dissolved with no compensation for quota holders and growers (Tiller 2005:1).

Farmers and quota holders had to sign up at their local Farm Service Agency between the dates of March 24 and June 17, 2005, to be eligible to receive payments.

They also have the option to receive payments annually or to take a lump-sum payment of 80 % of their total payment up front. Quota owners will receive $7.00 per pound multiplied by their basic quota. “Basic quota” means the exact amount of poundage that was originally allocated for a certain farm. Recipients of this will be taxed on the “difference between the quota buyout value ($7 per pound times 2002 basic quota) and the basis value of the quota” (at a rate of close to 15%) (Tiller 2005:2). According to Kelly Tiller at the Agricultural Policy Analysis Center at the University of Tennessee, in an email dated October 04, 2006a,

> The active grower buyout payments were much more complex to calculate. An individual was eligible to receive a buyout contract as an active grower if they shared in the risk of producing tobacco in at least one of the years 2002, 2003 or 2004. In a nutshell, an active grower received $3 per pound for the amount of effective quota produced on the farm (during 2002, 2003, or 2004).

There were many circumstances that made this payment difficult to calculate, such as death, wrong social security numbers, and crop disasters that occurred in one year but not the next. A simple plus and minus method was used to keep growers from being paid twice for the same marketed pounds. Grower payments at $3 per pound will be taxed as regular income. “Effective quota” means the sum of the basic quota plus any poundage that was not used from the previous year. (For example: If you bought up 10,000 pounds to sell but for some reason you were short by 500 pounds and only sold 9,500 lbs., the 500 pounds could be carried over to the next year and would appear as effective quota on your tobacco card). These tobacco cards were something like a credit card and were issued by the local Farm Service Agency.

According to NC Ag Agent 1 in the state of North Carolina, this \$3.00- \$7.00 per pound ratio formulation was calculated through the combined efforts of Blake Brown, an economist at NC State University, and others. They estimated that a pound of flue-cured quota was worth 60 cents and figuring at 8% interest set up in perpetuity, came up with \$8.00/lb., and then divided that figure in half for the growers' share. A number of proposed buyout legislations were introduced but no one could decide upon the \$4/\$8 ratio. This calculation was one of many alternative methodologies for estimating quota value made by Blake Brown and others. Finally, with negotiation, they compromised and the \$3/\$7 ratio was reached for any tobacco involved in the buyout program. However, in an email from Dr. Kelly Tiller dated November 14, 2006b, "Dr. Brown made those calculations as one of a series of alternative methodologies for estimating a quota value. Choosing that particular set of assumptions and that value was then a political decision" (Tiller 2006b). There was some controversy as the growers felt they should have received more. This makes up the \$9.6 billion and there is another \$0.5 billion that will be used to compensate the USDA for anything they lost while trying to dispose of pooled tobacco. Tobacco product manufacturers and importers and Big Tobacco are funding this buyout**.** The payments will be made from 2005-2014 to both growers and quota holders in 10 equal annual payments (Tiller 2005:3).

Agreeing to this buyout in no way stops farmers from raising as much tobacco as desired. You may still produce tobacco without a price support and no quota system in place. In the fall of 2004, anyone who was planning to raise tobacco in 2005 was asked to sign a contract stating how much was to be produced and a date it should be delivered to the warehouse.

To give an example of what a quota holder/producer would receive in terms of buyout payments, I will stage the following scenario: If the farmer who owned the quota also raised the crop and had 10,000 pounds on the card for the effective quota year of 2002, according to stipulations of the buyout, this farmer would receive the producer payment of $3.00/lb. plus the quota holder's share of $7.00/lb. totaling $10.00 for the 10,000 pounds produced for that year. This comes to $100,000.00 due over 10 years with the option of taking 80% of the money all at once in a lump sum payment or spreading it out over 10 years receiving $10,000.00 per year. If the quota was not owned but leased, as the producer, only the $3.00 portion would be received. The total would be $30,000.00 and the producer would receive $3,000.00 a year for 10 years. And in return, if the quota holder as the owner of the quota leased poundage out and did not raise it, the expected return would be $7.00 totaling $70,000.00 or $7,000.00 per year for 10 years.

CHAPTER 5

DATA COLLECTION AND ANALYSIS PLAN

The counties of Sullivan in Tennessee, Watauga in North Carolina, and Washington in Virginia were chosen as sites for this research because these counties join each other geographically in what is commonly called the Tri-State region. These counties compare economically to each other in that farming in the past was the mainstay of the area and now is evidently a fading pastime. The area now more typically depends on the tourism industry with skiing offered in the winters in NC, biking (or cycling), hiking, horseback riding trails and camps in Virginia, and the well-known Bristol Motor Speedway in Sullivan County, Tennessee. All three areas are geographically appealing with lakes and landmarks that promote the tourism industry.

The lay of the land is comparable in that all three counties have gently rolling hills and farms that are generally small in acreage. The people who live in these three counties are of comparable culture and ethnicity. Most have inherited land and the occupation of farming from their ancestors; and for several generations people have made the effort to keep the family farm in operation, but the effort seems to have become harder and more futile.

Sampling Strategy

There is no current list of tobacco farmers available to the public so that a probability sample could be drawn. Therefore, it was necessary to employ the strategies of convenience sampling (those farmers who were easy to find and receptive to being interviewed) and snowball sampling (using contacts to find other tobacco farmers).

During the summer of 2006, my father drove me to areas in the three counties so that I could recruit respondents. Upon beginning the interview process, I assumed that Sullivan County would be the most welcoming and receptive to my requests for participation. However, this proved to be the exact opposite of what I encountered. While I began interviews in Tennessee, people in North Carolina and Virginia turned out to be far more willing than those in Sullivan County to participate. I thought all along that Sullivan County would be the easiest to begin interviewing in because it is where I grew up. However, I soon realized this was not the case and after a period of conducting interviews in Tennessee, I went to North Carolina. I was acquainted with a few families in Watauga County, North Carolina and they referred me to other people whom they thought would be willing to participate. While I was able to set up some appointments with those I knew, in other instances, we simply rode around the countryside until we spotted a patch of tobacco or saw someone out in a field. We would stop and ask them if they would be interested in participating in my study. Both methods of setting up an appointment before interviewing, and simply riding around searching for people that we had been told about, were commonly used approaches for locating participants. Many times, wives would direct us to certain places on the farm where their husbands would be working. I talked to farmers out in the woods, down in the creek, and in the middle of a hay field with the tractor and baler running. Many interviews were done in barns, sitting on a bale of hay, or on the tailgate of a pick-up truck. I sat on front porches and under the shade of big trees. The people of North Carolina were most willing to stop in the middle of what they were doing and politely take the time to help me.

It was particularly worthwhile to conduct interviews in three different states because the impact of the loss of tobacco differs by state. By conducting interviews in each state, I hope to gain information on differing experiences and opinions concerning how each state has been able to use the money it received from the Phase I payments. Of those that were interviewed, there was only one respondent who did not take part in the buyout program. This individual had leased a small amount of poundage and the person who owned the quota had passed away, so any funds from the buyout that this individual would have received were tied up in the settling of this family's estate.

In addition, agricultural extension agents from each of the before mentioned counties were interviewed to obtain their perspectives on the Tobacco Buyout Program and how this has affected farmers in these regions. This aspect was particularly important as the agricultural agents could give specific facts on the buyout and how it has been affecting the state, the producer, and the quota holder alike. For those who participated in these interviews, some grew tobacco many years ago, some recently quit for varying reasons, and some continue to raise it even without a price support program now in place. These three different circumstances are important because they provide interesting perspectives on how farmers are managing this agricultural and cultural upheaval.

Conducting interviews in the three sample counties also provided information on the diversified agriculture now taking place as a result of the decline in tobacco profits. Although many in these counties still grew some amount of tobacco, they were not as financially successful as they had been before the buyout and quota cuts began. Many were forced to expand their current operations. It was also helpful to gain a perspective on any diversified agricultural programs attempted, but many farmers in these counties had few alternatives.

Interview Structure and Recording

I conducted 32 farmer interviews and six agricultural agent interviews for a total of 38 interviews stretching throughout the spring and summer months of 2006 (late March until the early part of August). There were 11 farmer interviews conducted in Sullivan County, TN and two agricultural agent interviews. In Washington County, VA, there were 10 tobacco farmer interviews and two agricultural agent interviews. In Watauga County, NC, I interviewed 11 farmers and two agricultural agents. In two instances, the interviews were one and the same: One agricultural agent was also interviewed as a tobacco farmer and one tobacco farmer happened to be a retired agricultural agent. Only one prospective participant actually turned down my request for an interview. The time spent on each interview varied in that the shortest was 20 to 25 minutes and the longest was 60 to 90 minutes.

One set of questions was used for all tobacco farmer interviews and another was used for agricultural agent interviews (see Appendix A for each interview guide).

Each interviewee was given a copy of the Informed Consent Document, which they read to better understand the purpose of why these interviews were being conducted (see Appendix B). After reading the informed consent and understanding what was involved with this research, they initialed and signed it. One copy was given to each participant and I kept one copy for my records.

All interviews and responses were tape-recorded and this information was transcribed partly by me and partly by the Disability Services Office at ETSU as a courtesy because of my visual impairment and time constraints. I estimate that I spent close to 30 hours on my portion of the transcribing. The only problems experienced while interviewing was that at times speech on the tapes was slurred or unintelligible on the part of the respondents. Also, while interviewing, many times there was background noise from machinery running or the movement of water. A few respondents had trouble keeping their appointments and several attempts were made to catch them at a specified time. At times, those interviewed did not understand the question being asked. This caused me to stop the tape and explain specifically the information I was hoping to obtain from them. Naturally, some had more to say and elaborated more than others. It seemed to help if I talked to them a while before I began recording. This seemed to warm them up to the idea of talking on tape, even at this, they often talked more and gave more specific information after the tape was turned off.

Tobacco Farmer Interviews

My interviews with the 32 farmers began with an overview of their personal life: This included the year they were born, where they were born, where they lived most of their lives and for how long. I inquired as to their marital status and if they had children, the ages of those children, and how many people presently resided in their household. These questions were asked to first warm up the respondents and then to determine how a career in tobacco production had evolved and developed for each individual. I hoped to develop some opinion as to the quality of life they had experienced from growing tobacco. It was also interesting to hear them reflect about their family, homes, and community, in all ways relating to their involvement with the tobacco industry.

Next, I proceeded to inquire about their personal experiences in agriculture: How many years had they considered themselves farmers? During this time, did they have other employment on the side, or did they ever own a business outside the farm? I inquired about the different types of crops or livestock they raised or grew and what they considered to be their main agricultural product over the years in terms of market value. It was also necessary to ask them in 2005, what their main agricultural product had been. The purpose of these questions was to gain an understanding of the depth of their involvement in agriculture.

I asked them how many years they had been involved in burley production and about the largest and smallest crops they ever grew. I also asked them about any problems they experienced while raising burley and any reasons why they purposely decided not to plant a crop during a certain year. I asked them to recall any experiences or changes that were memorable relating to tobacco production during their lifetime. The purpose of asking these questions was to gain a history of their involvement with the burley industry and to better understand how they felt about the modernization of tobacco practices.

I was interested to see how many participants grew tobacco during the duration of this study. They did not hesitate to tell me the price they received per pound for their 2005 crop and their opinions associated with that price. I went on to inquire about their knowledge of the tobacco buyout program and to see if they had participated or not, if they felt that the buyout was fair, and if they felt forced out of burley production. I was eager to see if they felt the buyout payments would equal what they would have made from a crop, if indeed they were no longer going to raise tobacco.

I wanted to see how many had quit producing tobacco because of the end of the price support, how they felt about it; and if they felt they would ever grow tobacco again. It was crucial to determine what their alternative choices would be, if indeed they exited tobacco production because of no price support. Many participants were rather elderly and I wanted to know how they felt about the future of agriculture. This questionnaire concluded with each participant's opinion about whether they felt the buyout would be positive, negative, or of no importance for the economy of their area. This helped me to gain a perspective on how satisfied each participant felt about a life experience that for many has abruptly ended. It also helped to see how economically secure they felt with what they would receive from the buyout and how much advantage it would give them if they chose to abandon tobacco production and go with another venture.

Agricultural Agent Interviews

The interviews with the 6 agricultural agents began by addressing their position and the length of time they have worked in these positions. Some agents had worked in other counties at other times and in order to determine the familiarity with the county they were currently in, it was necessary to ask these questions.

I inquired as to their knowledge of the economic importance of burley tobacco in this region and their opinion of the tobacco growing/sale trends in recent years. I asked them about their thoughts on the buyout program in general and how it has operated so far. They estimated the percentage of quota holder/producer participation and the comments of those involved. I asked their opinion concerning Phase I and Phase II of the Master Settlement Agreement and its benefit to local farmers. These questions gave me a better idea of how governmental representatives viewed the buyout process.

Several agents spoke of other agricultural buyouts they were aware of. I questioned the fairness of the current tobacco buyout program with these agents. In my research, I had difficulty finding out how tobacco allotments changed to the quota system and they clarified many points. These 6 agents gave varying estimations of the cost to a farmer to produce an acre of tobacco. This in turn, gave me estimations as to how to calculate the current producers' profit margin. It was necessary to inquire about the prices farmers received in 2005 for their tobacco crop. This information gave me a good perspective on how financially successful farmers have been without a price support now in place.

All agents were questioned regarding the foreign market and the impact it has had on the local tobacco market and if they thought production would ever return to levels they were at years ago. This was to determine if they thought tobacco could ever make a comeback here, what would be involved for this to happen, and the burden that foreign tobacco would put on producers.

I was interested to learn what these agents knew about alternative crops or other businesses that were being tried by farmers in this area. This question gave me insight into the many different crops or other sources of income that were being tried and how successful these ventures had been. The Ag Agent interviews concluded as the farmer interviews did, by asking these agents if they thought the buyout would be positive, negative or of no importance for the economy of their area. The purpose of this question was to get their judgment of how farmers were dealing with the loss of the price support, the quota system, and a declining industry.

Analysis Plan

There are several different areas that will constitute the focus of analysis based on interview information. The first area covered in the interviews was personal information about the lives of these tobacco farmers. In comparing their ages, I hope to determine if they were young enough to go into another business, or if they were so old that this would not be a possibility. I hoped to find out if the older participants were more willing to give up growing tobacco than the younger farmers. With a background in agriculture myself, I thought it would be interesting to see the level of involvement the participants had in farming. Was farming the only business they ever had, or did they have another career outside of farming. Also, was agriculture so instilled in the family heritage that they had promoted it to the point that a child might feel the call to one day carry on this tradition? While many readers may think this is an unusual concept, this greatly relates to the cultural aspect particularly for those who just farm exclusively. Upon reviewing their history with tobacco, I can surmise just how dedicated these participants were to this industry. In this study, I plan to compare experiences and opinions from state to state to see how participants have been affected by the buyout program.

CHAPTER 6

ANALYSIS OF INTERVIEWS

This chapter is organized first by location of the respondents, then by type of respondent (farmer or agricultural extension agent), and within those categories, by topic. Thus, I will begin with Sullivan County tobacco farmers, then Tennessee extension agents, then go to North Carolina and finally to Virginia.

Sullivan County Tobacco Farmer Interviews

In this county, I interviewed 11 farmers ranging in age from 44 to 80 years. Two farmers were 80 and above, three were in their sixties, one in the mid seventies, three in their fifties, and two in their forties. The average age of these 11 came to 62 years. Within this group there were 10 males and one female. All but two of the participants were locally born and all but the same two lived the majority of their lives in the Sullivan County/Bristol/Holston Valley community. Out of the 11, one was widowed and the other 10 were married. The 11 farmers had 26 children among them, which averaged 2.36 children per farmer. The largest family produced four children and the smallest family had only one. Out of this sample, there was only one family with an heir who was preparing to and actually had participated in the running of the family farm as a life's profession.

When asking them about the number of years they had been involved in farming, I learned that many had invested a lifetime. Sixty years was the longest amount of time that any one person had been engaged in agriculture, with 12 being the shortest. The total amount of years these participants were engaged in farming was 454 and this averaged out to 41.2 years. Eight of these 11 farmers had other jobs to supplement their farm income at one time or another. Only three of the 11 were involved in agriculture their whole life with no supplemental income.

Although this interview dealt mainly with burley tobacco, I felt it important to inquire about other crops or commodities they had raised during their lifetime. The only constant agricultural activity for the 11 consisted of cattle and tobacco, meaning that all 11 raised and sold cattle and tobacco as their main income from agriculture. According to the tenth farmer interviewed for Tennessee,

> in the beef cattle business and tobacco, when the cattle prices was down, you could fall back on tobacco, and break even for the year, or come out. Then when tobacco didn't do good, you had your cattle. But now, cattle prices are high, but when they go down, which they eventually will, and you don't have your tobacco there to fall back on, I think that will put a whole lot of small farmers plumb out of farming, not just tobacco farming, but plumb out of the cattle business or small farms. Just won't have the money to survive without tobacco's filling in the bad years of other crops and things (TN 10, May 28, 2006).

Listed below are other crops and livestock raised over the years by the 11 that were interviewed. Two of the 11 raised sheep but quit because of the threat of stray dogs, coyotes, and so forth. Two of the 11 raised hogs for sale at market or their own use. Seven of the 11 raised corn but only to be used as feed, not to sell as a commodity. Eight grew or were in the process of producing hay for their own use to feed their livestock.

However, six of the same eight sold hay as a cash crop with their main customers being horse barns and the many people involved in equine pleasure riding. Two of the 11 farmers had been involved in dairy operations, but currently, only one was still in operation. All 11 raised tobacco at one time but only four put out tobacco this past year (summer of 2006) and consistently had raised tobacco up until this point. All 11 ran cattle at one time, with nine presently involved in the cattle industry. Two of the 11 attempted some form of truck farming to supplement their incomes due to quota cuts and less poundage available for them to lease during the late 1990s and the beginning of the new century. Crops such as October beans, sweet potatoes, pumpkins, and sweet corn were attempted, but those involved deemed the effort undependable and futile. Truck farming is a term used to describe the raising of produce or vegetables for sale at market.

In terms of tobacco production over the years, the following information describes the highest and lowest amounts harvested among these participants. Of the 11, the most anyone raised was 92 acres, and this individual was one of the farmers who raised a crop in 2006. The least raised was two tenths of an acre. The total years these farmers spent in tobacco production ranged from 25 to as many as 50 years.

Several of the Sullivan County interviewees decided not to plant tobacco after the buyout and the cessation of the price support or quit earlier for the following reasons: One gave up tobacco production in 1998 because of the increased cost of labor (meaning that the profit left after the labor cost did not warrant the production effort). Two quit because of the price support ending in 2004 and the fact that poundage had gotten too high to lease. However, these two participants did raise tobacco up until 2004. Two participants said they were too old to raise a crop of tobacco. One participant leased her farm to an individual who raised cattle but had no interest in tobacco production. One participant still owned property but no longer operated it as a farm. Instead, because their farm surrounds the Bristol Motor Speedway, it now prospers by renting for camping and parking during the two seasonal events.

The participants uniformly agreed about the changes that had occurred in tobacco production and how these had taken place over the years. Most participants said that the change from plant beds in the ground to floating water beds was the largest advancement. Others said that pesticides preventing black shank and blue mold (diseases which can attack and ruin a crop) along with chemical treatments to control weeds, worms, and suckers were more beneficial. Most agreed that baling the tobacco was more efficient than tying it into hands. Those who were much older talked with fascination of when they saw their first mechanical tobacco transplanter pulled behind a tractor. Before this came along, older generations were faced with planting tobacco by hand. This process included carrying the water, digging the hole, and placing the plant, while down on their knees in the hot sun doing this about every 24 inches in rows that could stretch for hundreds of feet.

Of the four who were still raising tobacco in 2005 after the buyout and the termination of the price support system, the following information includes the prices they received for their 2005 tobacco crop without a price support in place. The prices ranged from $1.55 to $1.59 and this averaged out to $1.57 per pound. Here are the opinions of the four Sullivan County farmers who actually produced and sold a tobacco crop in the 2005 market without a price support:

> It hurt, I was disappointed. I would have expected at least in the [$1.] 70s and I was told when they was wanting us to help them get the buyout that tobacco would be around $1.75 that we wouldn't have to buy poundage so they'd split the difference with us. But they didn't split the difference with us. It left very little profit in it (TN 3 April 03, 2006).

* * *

> I think its way too low, for your labor and all high as fertilizer, fuel, and everything it takes to raise tobacco. A farmer raising a tobacco crop is not making $3.00 $4.00 dollars an hour. To be honest with you, a $1 and .55 cent average for a pound of tobacco is way too low, compared to how much it costs you to raise a pound of tobacco (TN 5 April 08, 2006).

* * *

Another farmer said,

> we had to buy a lot of quota. It's just as good as it was (meaning he feels that the system without the price support is just as good now as before when they had to pay out a lot of money for poundage– because he does not have to pay for poundage now, he can afford to take less of a profit) (TN 8 August 1, 2006).

This individual was the largest producer in my Tennessee study, raising 92 acres at peak production.

* * *

Another farmer said,

> Well, it's a little bit more than the break-even price on it. There were some mitigating circumstances that allowed me to feel like I came out a little better financially on the tobacco crop in that I had a daughter that was receiving a scholarship from the tobacco company to attend college, so I consider that in that I had to be growing tobacco for her to receive that scholarship (TN 9 May 17, 2006).

All 11 participants took part in the buyout program. The following are comments made by some of the farmers concerning their feedback on the buyout program.

> I think that we would still be better off, financially, if we were able to grow our tobacco like we did earlier. But, under the circumstances, I guess we're lucky to have the buyout and get what we got. Under the circumstances we're dealing with, I think it was good, because we could have lost quotas and everything else and not have got anything (TN 11 July 31, 2006).

* * *

TN 10 responded that the buyout would be of very little benefit to smaller farmers without much acreage. He said the larger farmers would benefit, but what hurt most, was that all farmers should have been paid when they were at maximum production during the late nineties before the quota cuts and before poundage got so high (May 28, 2006).

Of the four who raised tobacco in 2006, three of the four say that they will continue to do so at least for the next few years. However, since the spring planting of the 2006 crop, one of these farmers has unfortunately fallen victim to disease that probably will result in this being his final tobacco crop. Unfortunately, in mid-September one of the farmers in this study was killed in a farm accident. Needless to say, this 2006 crop was his last also.

Only three of the 11 say that they will put as much effort into farming as they have in the past. This is largely because they are too young for retirement but too old to now start another business. All these individuals have a large portion of their lives invested in land and millions of dollars in equipment. It is not the same for farmers as it is for the regular working person. Other people might become dissatisfied with one career and decide to seek another source of employment. However, there is much more at stake in a career move like that for the farmer.

In terms of the buyout program and its impact in the future, the opinions expressed were somewhat varied as to this program’s anticipated effect. The following opinions are listed below concerning this aspect of the buyout program and the predicted future impact it may have on this area:

> I don’t think the buyout will have any effect on the economy as far as boosting it. The biggest effect on the economy in this area would be the loss of the tobacco altogether. A lot of equipment places that sold farm

equipment. Most of the farm equipment was (bought) with tobacco money. Automobiles, a lot was bought with tobacco money. Taxes, land property taxes, was paid with what people made on their tobacco. And the loss of tobacco will make a big impact in this area. As far as the farmer, the foreign market is just really what put your tobacco out. Probably in the 60s, or around 1970, the US raised 86% of the tobacco in the world. And before we started getting quota cuts, we was raising 26% in the world, which was probably in the 1990's. We was raising the same amount of tobacco, but only 26% of the world's supply. So you can tell how much Brazil and all these other countries have really raised a lot more tobacco. In the last 20 years, they don't have any control, like they do on the farmers' here, and their expenses is not near as big, their labor is cheap, they don't have to use a lot of the chemicals. Can raise it a lot cheaper than we can (TN 10, May 28, 2006).

* * *

I think there's a lot of people that have gone out of the tobacco business because of the buyout. A lot of them would have gone out anyway, whether they would have had the buyout or not. I think that some of the farm families that are not growing tobacco are gonna miss that income that comes in from their tobacco crop. The companies are still wanting tobacco, domestic and international companies, are still looking for the quality of tobacco that we produce in the United States. I think tobacco will continue to be grown in the US, maybe not as much of it in the historical areas as was in the past, I think that the reduction in price, will allow it to be more competitive in the international market. But, I think the price is gonna have to come up from what it has been from the last year or two in order to get the tobacco grown, because I think some of the new growers in the nontraditional burley areas are finding out how much work there is in harvesting and producing the burley crop. So, they're probably not gonna be as enthusiastic about it as they were the first year before they tried it, before they tried growing the crop. I still think, in the long run, the buyout was probably a good thing for this part of the US, the burley belt area, because it gave people who had historically grown tobacco the chance to get some income (TN 9 May 17, 2006).

* * *

I hate to see tobacco go out in our neighborhood in our country and in our state. At one time, it was a good money crop and people depended on tobacco money. They would get their check, usually come around Christmas time and it was good for people to have money to spend for Christmas. I get my [payments] set up to where I get my check payments on a ten year basis, and the reason I did that is so I would have that money set aside to pay my property taxes each year. I think it's going to be both

> positive and negative. I think its going to be positive because a lot of people that's money coming into their pockets that they can turn around and put into something they need to buy, to help the economy. But I don't think it's going to bring as much money in as it would have [if] we didn't have the buyout program. Cause I know that when farmers raise a good deal of tobacco they would go spend that money and they would buy farm machinery or appliances or just what ever and I think its going to hurt the economy to a degree (TN 5 April 08, 2006).

* * *

> I think it's definitely going to hurt the economy of the small farmers for years to come, even though you're getting a little buyout money, it does help, but I think that over the long haul, the small burley [producer] will lose money. It was a definitely a loss to the community, yes (TN 11 July 31, 2006).

<u>Tennessee Agricultural Extension Agent Interviews</u>

The following information comes from the two agricultural extension agents in Sullivan County Tennessee. TN. Ag Agent 1 is currently employed at the Farm Service Agency as its Executive director. TN Ag Agent 2 is a retired gentleman formerly serving as the Sullivan County Extension Agent for 40 years.

Both agents agreed that tobacco and its history have played a big part in the economy of Sullivan County; however, the economic importance of tobacco has declined. TN Ag Agent 1 said this is because fewer farms in the county that consisted of family operations with small amounts of quota. Poundage became harder to lease in these areas and more expensive to do so. This situation drove a lot of people out of the tobacco industry.

Both agents agreed that participation in the buyout was beyond 90%. The reasons why people did not participate included being unable to be located because they had moved out of state and were unable to get the required signatures; or in the event of death, heirs of the property could not be identified. Also, many were elderly people who hesitated to show any additional income for fear of having their Social Security checks reduced (TN Ag Agent 1 April 21, 2006).

TN Ag Agent 2 said that it,

> allowed the farmer to receive a little bit of income instead of being able to grow the tobacco and market it like he normally did. Certainly better than nothing. If you had quota wanted any compensation, you had to participate. Most people are pretty well resigned to the fact that quota is gone, and if you want to produce tobacco you can produce it and contract with the companies (July 31, 2006).

When asked about other agricultural buyouts, both agents remembered a peanut buyout that occurred several years ago. TN Ag Agent 1 said the peanut buyout was not as involved as the tobacco buyout, although he felt it was successful. The only difference between the two is that individuals involved in peanut production still have a subsidy for their crop, meaning that the farmer can apply for benefits if the peanut price falls below a certain point (April 21, 2006).

Both agents claimed that the Tobacco buyout was fair. According to TN Ag Agent 1 many farmers were frustrated with the paper work of getting leases assigned to their farms and when the quotas were cut, there were fewer quotas to be leased. He said that people blamed their office for the quota cuts when in actuality the USDA controlled all of that and quota was set by the need for that current year. They were also raised or lowered based on those projections (April 21, 2006).

TN Ag Agents 1 (April 21) and 2 (July 31) agreed that the state of Tennessee used the money from Phase I to balance the state budget because of the predicament incurred through Tenn. Care. In addition, both agents also agreed that Tennessee set aside no money for scholarships for children of tobacco farmers (2006).

Both agents said that the foreign market has greatly affected tobacco production here in the United States.

> Yes, they've had a real influence on the tobacco markets here much to necessitate the tobacco buyout and helped get it passed. Agriculture's not exempt from any other type of businesses or trade with the United States. Our cost of production is much more than in many underdeveloped nations. Labor costs continue to be a major factor in nearly everything we do. The companies could import tobacco at a much cheaper rate than they could buy domestic tobacco. There was questions whether foreign tobacco met the same quality standards that ours does, but in later years as their technology and techniques became better, certainly

> they could compete with us so it was a much, much cheaper product than what we could produce ourselves (TN Ag Agent 1 April 21, 2006).
>
> * * *
>
> Oh, they definitely had a great impact [foreign markets] because these buyers can buy all the tobacco they want from somewhere else, they're not going to buy it locally (TN Ag Agent 2 July 31, 2006).

Neither agent acknowledged that tobacco production would ever return to the level that it was just a few years ago.

Some of the other crops that these agents were aware of that had been used to replace tobacco were: vegetables, landscape shrubbery, hair sheep, and goats. Although TN Ag Agent 1 said that:

> it doesn't take many more people getting involved to flood the market and make [these alternative ventures] non-economically feasible.
>
> [With tobacco] you really know pretty close to what you can expect for your crop. In price, you can't always count on a yield but we were able to plan and have a good idea of what we were gonna harvest and what the income would be. With some of these other crops, you don't have the guarantee of doing that. Most are transitioning-they're adding more livestock. We've got many more people that are part time farmers now, when I say part-time, they have a love and passion for farming, but their main income comes from a job off the farm (April 21, 2006).

Watauga County Tobacco Farmer Interviews

There were 11 interviews conducted in Watauga County, North Carolina with the ages of those participating averaging 55 years. The oldest respondent in North Carolina was 68 but there were three more in their sixties. There were four respondents in their mid fifties. Two respondents were in their forties and the youngest farmer was 38. They were all males. All but one was born and raised in Watauga County, North Carolina which is located near Boone, and have spent the majority of their lives there. Out of those interviewed one was divorced, one was widowed, and the rest were married. Ten of the 11 fathered 25 children averaging 2.5 children from these 10 participants. The individual with the largest family raised five children and one farmer had one child. All 11 participants said they had been involved in agriculture their entire lives from childhood and on up. However, only one of the 11 had not pursued another occupation outside of farming. Ten of the participants had jobs on the side to supplement their farm incomes. Four of the 11 interviewed had been involved in dairy operations at one time but abandoned it years ago. Nine of the 11 said that tobacco had been the most profitable crop they had ever raised; however, two of the former dairymen favored the dairy industry as monetarily superior to tobacco. Only five out of the 11 interviewed had tobacco out in 2006. The average number of years spent in tobacco production was 40 years. The largest amount grown by any North Carolina farmer in this study was 16 acres, but two of the other farmers had raised as much as 15 acres at one time or another. The least amount of tobacco grown in any one year was one-half of an acre. The total number of acres grown averaged to 10.6 acres per farmer. The North Carolina farmers complained more about the threat of blue mold than the others interviewed in this study. Blue mold is a fungus carried in the air. It attacks and deteriorates tobacco leaves by forming a moldy bluish-green growth on the underside of the leaves. Cooler climates and a season with more rain than usual makes this condition more prevalent and is more consistent with the climate around Boone than in Sullivan County, TN or Washington County, VA. Sprays and chemicals will help with this problem but are costly. North Carolina farmers agreed with other farmers in this study that the change from tobacco beds in the ground to water float beds was a significant improvement and changing from tying to baling the leaves was more beneficial. However, the most beneficial advancement felt by NC farmers in tobacco was the development of a tobacco plant that was blue mold resistant.

When the North Carolina tobacco farmers sold their 2005 tobacco crop, they averaged $1.69 per pound, which was better than Tennessee. Two of the five farmers who raised a crop received $1.86 per pound and the lowest price anyone received was $1.55. Three were disappointed with the price they received but two were okay with it. Ten of the11 participated in the buyout program. The one man who was not participating had gone back to school. The person who he leased poundage from died and the amount that he had leased was so small that he did not feel that it was worth his efforts to try and file for this money.

The following information consists of quoted opinions on how the North Carolina farmers felt about the buyout program:

> The worst thing that's ever came out of Washington since the welfare

program. Few farmers that did raise tobacco, just had an acre or so, they just plumb quit. And I would probably quit, too, but I've got obligations that carry on that I have to raise the tobacco. The Tobacco Buyout, they've got it set up for 10 years. I'm 47and I still got years to work. Tobacco buyout should have been upfront, one shot. Use that money to invest it. I get less than a $1000 a year from the Tobacco buyout. And it probably cost me $1800 to $2000 when the government dropped out of it on account of the price support. You have too many people controlling what was going on in the tobacco business, that had no incentive to grow tobacco, but they controlled the tobacco cards, and they were making decisions based on their own personal ideals instead of trying to make it work out for all the farmers (NC 10 July 14, 2006).

* * *

I think it's the worst thing that ever happened to us. To people that live out in the rural area that depended on tobacco farming, I don't know what they're going to do now. There are a lot of young people that would like to farm, but can't (NC 9, July 14, 2006).

* * *

Being a farmer that produces it and buying quota, I think we should have gotten a bigger piece of the pie. Because most of your quota holders don't know what tobacco is. They just bought a piece of property that had a quota on it. In my opinion, the farmer [grower] should have got a bigger

> piece of it (NC 8 July 14, 2006).

*   *   *

> I thought the growers should have got a bigger portion. But we had no control of that because growers kept the program going all these years. If it weren't for the growers, nobody would have had anything. Or that's the way I look at it. See, I own and I grow it too. I can look at both sides of it (NC 6 July 1, 2006).

*   *   *

> in a lot of cases, the grower should have had more, because had it not been for the grower leasing poundage and growing it, a lot of quota holders would have not grown it anyway for years and years. So the grower should have had more (NC 4 July 1, 2006).

Two of 11 participants were in favor about the buyout. At best, they knew the buyout was inevitable. "Well, it's alright. It's a good thing. It helps, especially the old people they can sell out and get some money out of it. It's just about like it was. About the same profit" (NC 11 August 9, 2006). Both agreed all they could do was take it or get nothing.

*   *   *

"I think it was manipulated somewhat to get the quota down to where they wouldn't have to pay as much for it. But still, I guess it was about as fair as it could be" (NC 5 July 1, 2006).

*   *   *

Four of the 11 had no real opinion about the buyout. Eight of the 11 said in no way would the buyout payments equal what they might have or would have raised. Three of the 11 were OK with the idea of the buyout, but were skeptical. Six gave the opinion of being forced out of tobacco production. Two of the 11 did not exhibit opinions of being forced out. The rest of the participants were indifferent.

"No, I wasn't forced out, I could still raise it if I wanted to. But I don't want to anymore" (NC 5 July 1, 2006). Five of the participants say that they will continue growing tobacco in the future. The age factor (being older) was the largest reason the others had quit earlier or would not continue to raise the crop.

Some of the alternatives that North Carolina farmers considered or will consider in the future are building up and increasing their cattle herds, selling quality hay (alfalfa), but the most popular idea for North Carolina farmers was growing Christmas trees; however, this venture had not been put into effect yet. Ten of the 11 interviewed claimed they would put less effort into general farming and age was the determining factor.

The following comments were gathered concerning the buyout and if it would have a positive, negative effect, or be of no benefit for the economy:

> for the country, this section here, it'd be negative, because a lot of people quit when the buyout came along. And that took a lot of money out of the community (NC 2 July 1, 2006).

* * *

> Well, I don't really know to be quite honest. It could be positive, as long as the prices and stuff will go and stay up. If there's money in it, people

> will get back into it. A lot of people will start growing more. So it could be positive. I think it's probably already been pretty negative, because there's so many people that quit. When you lose that kind of money out of your economy, that [s] never good. So, I look for it to be more negative than anything. I don't know that many people [will] get back into it unless the price gets, really big. I think it's already been a pretty negative influence and probably stay that way more than likely (NC 3 July 1, 2006).

<u>North Carolina Agricultural Extension Agent Interviews</u>

Two agents were interviewed in Watauga County, NC. Ag Agent 1 is an Agricultural Extension Agent based in Mincy County but also served as Regional Burley Coordinator in Watauga and in other counties. He served in this position for 14 years. North Carolina Ag Agent 2 has served as Watauga County's Executive Director for the Farm Service Agency for 11 years. Both agents said that tobacco was vital to the economy. "even as late as 2004, even with the quota cuts and farm diversification that we've had, burley tobacco still represented approximately 12 % of the total ag income" (NC Ag Agent 1 July 18, 2006). Both agents claimed that the importance of tobacco has declined from what it was in recent years.

> quota cuts that was the primary reason prior to the buyout, it was due to the decrease in quota levels. From 1997 to the buyout in late 2004, quota levels on the farm were reduced by better than 50%. So, that significantly reduced the importance of tobacco, because that reduced the amount of tobacco that could be grown in the county (NC Ag Agent

1 July 18, 2006).

Both agents agreed that the buyout was inevitable and just a matter of time before it occurred. NC Ag Agent 1 said that the producer receiving $3.00 and the quota holder receiving $7.00 was actually more than they really had expected (July 18, 2006). North Carolina's participation in the buyout was near 100%. These agents said that it was some compensation for what was obviously, years of work.

Both North Carolina agents recalled a dairy buyout several years ago but proclaimed it was insignificant as related to agriculture, the producer, or the consumer.

NC Ag Agent 2 stated on July 25 the following figures showing a dramatic increase in the cost of tobacco production. Fertilizer used to be $150.00 a ton-now it may be as much as $450.00 a ton, and labor, even migrant labor, is up to as much as $10.00 an hour (July 25, 2006). These agents claimed that North Carolina farmers averaged a minimum of $1.55 per pound for their tobacco, and a maximum of $1.62 per pound although some farmers reported they only received $0.80 per pound (2006).

Neither agent was knowledgeable about scholarships for children of tobacco producers, but they did recall the Gold Leaf Grants which were to help North Carolina farmers get into businesses other than tobacco.

NC Ag Agent 2 said that farmers who took the lump sum payment option were losing a large portion of their money and this agent warranted that it was too big a loss for any farmer to take. According to NC Ag Agent 2, when questioned about the effect of foreign tobacco markets on the local economy, the following comments were gathered:

> I'm sure there's no doubt about that. It definitely has had an impact on

> the local tobacco markets, because if you read what the papers write, you find out that these tobacco companies can go to South America and buy burley tobacco for 40 to 50 cents a pound, versus even $1.60 a pound here. That has to be an adverse affect to our program, to our tobacco marketing process. They have the knowledge in South America now, not only South America, but many other countries (July 25, 2006).

He also reflected that the potential for tobacco to make a comeback is present, but it would depend upon a price increase offered by the companies.

> The potential is here. I think the price of the product will determine whether it comes back or not. We have good land, we know how to grow that product. It’s been a stable money making product for this area for many, many years. I think that price is the enticement. If the farmer can get a decent price out of his tobacco, to where it’s a feasible crop to grow, versus other crops, I think we have the land, we can grow really good quality tobacco in this country. And plus, we know how to grow it. We’ve grown it for years. The potential is here for it to happen (NC Ag Agent 2, July 25, 2006).

The two agents agreed that any other crops used to take the place of tobacco were vegetables, Christmas trees, and ornamentals. However, it takes several years to make a profit out of the last two mentioned.

NC Ag Agent 1 said that Western North Carolina hosts smaller growers of burley tobacco, probably with less than 15 acres. This is because there is less tillable land in this mountainous part of the state than in Tennessee or Kentucky or even in the Piedmont section of North Carolina, and tobacco grown here is particularly susceptible to the threat of blue mold because of Western North Carolina's topography (July 18, 2006).

When questioned about the buyout being a positive or negative force in their community, NC Ag Agent 2 expressed some concern:

> Some of the figures that I've seen written up in some of these new media that these farmers were getting all this money, I think was somewhat misleading, because the grower payment and the quota owner payment are taxed differently and both are taxed pretty steep. According to what tax bracket some of these farmers are in, at best they may not get but a little more than half of their buyout payment (July 25, 2006).

* * *

> Some of them have been very successful and some of them have made ends meet, but it's still not quite the income level that they would have obtained with tobacco (NC Ag Agent 1, July 18, 2006).

<u>Washington County Tobacco Farmer Interviews</u>

In Washington County, Virginia there were 10 tobacco farmers interviewed consisting of nine males and one female. In this group, the oldest person was 84 and the youngest was 35. Three of the Virginia respondents were in their seventies, two in their mid sixties, two in their early fifties, and one in his early forties. The average age of the ten was 62.7, which rounded to 63 years. Eight of the 10 interviewed were born in Washington County Virginia, and lived the majority of their lives there. Of the remaining two participants, one was born elsewhere in the state of Virginia and the other was born out of state. Nine were presently married and one was widowed. All 10 participants had children, totaling 21 that constituted an average of 2.1 children per family. The smallest Virginia family had one child and the largest had three.

When questioned about their years involved in agriculture, the longest career was 70 years although there were three participants who had spent 60 years, and the least amount of time involved in agriculture was 30 years. The total number of years spent in agriculture was 493 averaging to 49.3 years per farmer. Six of the 10 participants were involved in nothing but farming for their entire lives. Four had other jobs to supplement their farm income. All 10 participants had raised tobacco at some point and time in their lives. In the last few years, all 10 participants had moved to cattle and tobacco production. Two of the 10 had been in the dairy business, one was still in operation but the other quit years ago. Two of the 10 raised sheep at one time, but gave that up some years ago. Only four of the 10 raised tobacco in the summer of 2006. Five of the 10 now raise only cattle, and one was no longer involved in any way with farming and rented her farm because of advanced age.

Several of the Virginia farmers had significant tobacco acreage in the past. The largest amount ever raised from this sample of participants was 120 acres, but other participants had as much as 100 acres, 80 acres, and 50 acres. The smallest amount of tobacco ever raised by these farmers was two tenths of an acre. The reasons given as to why four participants did not plant tobacco this year consisted of the following: They were too old, they did not feel comfortable selling without a price support, one quit because of the buyout, and another gave the high cost of labor as his reason for quitting tobacco production.

The 10 Virginia farmers agreed that the best improvements in tobacco production consisted of the water plant beds, the baling boxes, and another mentioned the stripping machine, which mechanically removes the leaves from the stalk, but the grades still have to be separated by hand.

The best price that any Virginia farmer received for the 2005 crop was $1.62 and the lowest price was $1.58, this averages out to $1.60 per pound. When questioned about their satisfaction with the price they received for their tobacco, VA 5 said:

> in this day and time it is not enough. Production costs are high, labor costs are high, and all of our production costs are still high. The only way we can try and offset, is good yield and reduce our labor costs. There's not very much profit in $1.60 (July 11, 2006).

All ten Virginia farmers participated in the buyout program. When questioned about their opinion as to its effectiveness and whether it would be positive or negative to the economy, the following comments were gathered:

> I'd say it'd be negative, because, it brought so much money into the county. If it wasn't for tobacco, Abingdon wouldn't even exist, so I'm sure it will hurt. It's bound to (VA 9 July 28, 2006).

* * *

> I think it's a good thing. I know it helped a lot of people out. And for ten years you do get a check. In the long run, I think it will help the

> tobacco industry. A lot of people disagree, but in the long run I think it will (VA 10 July 28, 2006).

VA 10 went on to state that the folks who were raising tobacco were at the age that they would soon have to quit anyway, so they at least would get some kind of money for the next eight years that they could put back into the economy, whereas they might have had nothing, had the buyout not occurred.

VA 8 had the following comments about what tobacco had done for this part of the country:

> it's paid for a lot of farms, bought a lot of houses, it's sent a lot of kids to school, college, most anything that you have, as far as farm people, is attributed to tobacco (VA 8, July 28, 2006).

* * *

Other farmers said,

> It's been the staple. That's what kept agriculture in its position. With cattle and everything else, there was no guaranteed revenue from it. Cattle could go hit bottom, everything could hit bottom. But with tobacco you were always guaranteed a price support (VA 6 July 27, 2006).

* * *

> I think it's greatly benefited our economy. I know people around here that's got factory jobs, before the buyout came along, a lot raised a little bit of tobacco to help pay for their taxes at the end of the year. And I think it's going to be hard for this area to find something that

> can do that for them (VA 10 July 28, 2006).

* * *

> I think it [the buyout] has hurt the economy of this area as far as farming, the young farmers coming on lose that part of income from smaller farms it will be harder for them to exist to make a living on small farms (VA 2 June 27, 2006).

* * *

> I think it will be positive. I believe there will be more people, if they will get the price up there a little, participate in growing tobacco. There [‘s] not much else on the farm anymore that you can make money at. Cattle prices are supposed to go down, I know there will be more people go into tobacco (VA 4 July 7, 2006).

* * *

> You’re really not guaranteed a price support anymore, you are kind of in the companies hands. We are supposed to have a contract. I don’t know just how stiff that would be if they really had a large surplus, probably get pretty picky, if they wanted to, lower the price on it, and (if) several people started growing it again, you’d be out of business (VA 6 July 27, 2006).

When questioned about the amount of effort that these participants would put into general farming in the next few years, the following comments were gathered. Four of the 10 stated they would not put as much effort into farming as they had in the past. Four said they would put the same effort into farming, and two stated they would put more effort into farming than they had previously. Only one had a child who would be willing to carry on the farm, but that child was still too young to say for sure.

VA 8 had an interesting comment on the years that the buyout was based on:

> [When] they started talking about it [the buyout] ten years ago. It's just about half, or less than half, of what it was when they started talking about it. You kept cutting everyone's allotment down to I guess where they wanted it, I don't know that for a fact, but everybody got half what they [would have gotten] 7 or 8 years ago (July 28, 2006).

This farmer fully recognized that if the buyout had been based on when tobacco production was at its peak seven to eight years ago before 2002 date, the payments would have been so much more. All the farmers recognized this point whether it is listed in their interview or not. They were fully aware that the year chosen to base the buyout on was purposely picked for the convenience of Big Tobacco and the inconvenience of tobacco farmers.

Virginia Agricultural Extension Agent Interviews

Two agriculture agents were interviewed in the state of Virginia. One of them was retired and questioned as a current tobacco farmer. He will be identified as VA 5, although he was mainly questioned about what Virginia had done with its Phase I money. The other person is the current Washington County Agricultural Extension Agent and will be identified as VA Ag Agent 1.

VA Ag Agent 1 has worked in this position for 15 years. He said that tobacco income has greatly declined since the 1990s when it "was probably close to 12 million dollars and now it is probably less than 5 million" (VA Ag Agent 1 May 31, 2006). This agent claimed that it was important that people who were involved in tobacco production be compensated for their loss and be able to increase production in another industry such as beef cattle. One unexpected problem that arose was "tax implications from the buyout in terms of capital gains and those kinds of things [being] complications in filing taxes, I don't think a lot of people were planning on" (VA Ag Agent 1 May 31, 2006). This agent explained that Virginia growers were somewhat unhappy with the $3.00 share they were given as opposed to the $7.00 that went to the quota holder. A lawsuit is actually going on now in Virginia over how the grower's portion was determined.

This agent knew of the peanut buyout as did the agents from the other two states, but the only thing he had to say about it was "there is still some federal protection for the growers for peanuts where as there is not for tobacco" (VA Ag Agent 1 May 31, 2006).

The Virginia agent reflected that the buyout had created a lot of uncertainty for people who really counted on that tobacco income. Now, because there is no guarantee that if they go to the trouble to raise a tobacco crop, that it will for sure sell and make a decent profit. "They are really working on the good faith of the [tobacco] company-if the company will treat them right" (VA Ag Agent 1 May 31, 2006). He said that a better solution for this situation might have been:

> for growers, rather than going through a buyout, if we could have maintained a federal price support, a quota program without a buyout,

> I think would probably have been better for the economy and for the growers, but that is strictly my opinion, and a lot of people don't agree with me on that, but as far as the price they offered for the quota, I think it was fair (VA Ag Agent 1 May 31, 2006).

The Virginia agent claimed that the cost for producing an acre of tobacco in Washington County ranged from $1800 to $2000 per acre, and that a fairer price for 2006 sales should be nearer $1.70 and above, to be fair.

According to Virginia Ag Agent 1, the state of Virginia did offer scholarships to children and grandchildren of tobacco growers and quota holders to attend colleges and universities and these scholarships averaged $1000 to $1400 per year. VA 5 knew of many other educational contributions made by the state of Virginia with its Phase I money. For instance, at the Washington County Fair Grounds in Abingdon, an educational center was built to be used year round for agricultural activities, seminars, trade shows, and meetings for 4-H and (FFA) Future Farmers of America. Money was also given to the William King Arts Center and the Barter Theater in Abingdon both of which support culture and tourism. Virginia Highlands Community College in Abingdon was able to expand a horticulture program and construct a large greenhouse that worked in conjunction with the horticulture program at VA Tech. Also, an organization named the Crooked Road Trail was also developed to preserve and promote the history of Appalachian music. Its purpose is to draw people who exhibit an interest in this type of music to follow the trail and stop at the different venues along its way. In addition, programs were offered to farmers to improve their knowledge of breeding and bull selection for herd improvement (VA 5 July 11, 2006).

Both agents doubt that tobacco production will ever return to the levels that they once were years ago before the quota cuts and the buyout began. A few farmers have tried to supplement their income from tobacco by growing produce (sweet corn, October beans, and sweet potatoes) but most have expanded their cattle herds. While produce was tried, it later proved to be not as profitable as the expansion of cattle operations.

When asked about the effect of the buyout on Washington County Virginia, VA Ag Agent 1 said,

> Well, the buyout money in the short term was certainly a positive, but in the long term, for those that were ready to retire it was a real positive thing- those that were ready to quit growing anyhow. For those that were going to stay in and keep growing, it was a short-term gain, then long term, it took away the security that was involved in the program (May 31, 2006).

Both agents talked with fondness about how the tobacco industry benefited the state of Virginia, but VA 5 summarized this in the following statement:

> Tobacco has been the main source of income here in Washington County for years. A family could take a tobacco base (and) live on that income, they could educate their children. A good tobacco base would provide an income for a family to live on and live with reasonable wealth. There is no other crop or no other industry here that’s done that, but

that's changed (July 11, 2006).

Summary of Findings

This section will go into a brief discussion of the findings gathered from the interviews conducted in each of the before mentioned states. The information taken from these interviews will compare the similarities and differences between the opinions of tobacco farmers and agricultural agents from state to state. The average age of tobacco farmers in this tri-state study is 60 years with the state of Virginia having the youngest and the oldest tobacco farmers. They range in age from 35 to 84 years with statistics showing the average age of Tennessee farmers as 57.

The years of involvement in agriculture totaled 145.5 plus and this averaged to 48.5 plus years per farmer in the three states studied. Out of a total of 32 tobacco farmers, only 10 strictly farmed with no other income. When looking at tobacco production among these three states in terms of acres produced between these 32 farmers, the Virginia farmers produced the most tobacco, Tennessee came second in production, and North Carolina third. This is somewhat ironic as North Carolina is considered the top tobacco producing state in the nation although the bulk of this tobacco is flue cured and typically raised in the more central/eastern part of the state.

Out of the 32 participants in this study, 13 produced a tobacco crop in 2005-the first year after the quota cuts and price support were terminated. These farmers averaged a $1.62 per pound for their crop when it was sold in 2005. North Carolina had the highest marketed average at $1.69 and Tennessee had the lowest at $1.57 with Virginia in the middle at $1.60. The North Carolina farmers spoke of past crops and the average of pounds raised per acre was astounding. They spoke of production in previous years ranging well over 3,000 pounds per acre before tobacco types/strains and other changes were made.

Out of the 13 participants, five were satisfied with the price they received for their 2005 crop. Eight participants were resentful of what they received claiming that they had more in production costs than they did in their final profits made from the sale.

Participation in the buyout program was at 100 % with the exception of one farmer in North Carolina. In all three states, the general consensus was: The buyout would be most beneficial to older farmers nearing retirement who were too old to continue producing tobacco anyway and to those with significant acreage history. The older farmers were the most willing to give up the practice.

When questioned about their future years in tobacco production, 14 of the 32 participants stated they would continue to grow tobacco. There was one that held off raising tobacco in 2005 until he saw how the prices were but plans to pick back up in the future. Tennessee had the least amount of people who felt this way but North Carolina and Virginia had the same amount that agreed to continue producing-five in each state. However, out of the four in Tennessee with plans to continue, one has died in an accident and another is now too ill to continue producing.

Twenty-three of the 32 participants claimed that they would put less effort into farming in general. This left 9 that will put in as much or more effort than in previous years.

A little more than half of the 32 participants claimed that the buyout and the circumstances surrounding this program would have a negative impact on their communities. However, ten said that it would have a positive effect on their area. The rest had a muddled view or were indifferent about this topic, (meaning they had no firm opinion one way or the other regarding how they felt about the buyout program).

One common aspect associated with the data gathered from these interviews (not recorded) was the benefit that migrant labor had brought to the tobacco industry. All participants talked of how this labor had been a positive force that kept tobacco production going in the past decade.

There were six agricultural agents interviewed for this study, with two from each of the before mentioned states. All six agents reflected on the influence of tobacco sales and how it was vital to the economy of their state. In terms of the buyout's fairness for persons involved in the tobacco industry, all six agents agreed that it was fair. Their reasoning behind this was that if the buyout had not occurred when it did, the quotas would have been continually cut and there would have been no program left to buy out. The tobacco program would have just ended with no compensation to anyone. There was general agreement among all six agents that the cost for a farmer to produce a crop of tobacco has drastically increased within the last 10 years. This increase is in the form of labor, fuel, fertilizer, equipment, and so forth.

The Virginia agents were the only ones knowledgeable about educational assistance for children of families dealing in tobacco production. These agents were very proud of what their state had done in this area. Regarding this same topic, Tennessee and

North Carolina could not boast the same. They were either not aware of this funding or it had not been present in their state.

When questioned about the impact that foreign markets have made on the local tobacco economy, five of the agents said this effect was negative, and only one claimed it was positive. Their opinions varied about the return of tobacco as a significant crop in this area. Four of the six agents had a grim view that this would ever happen. However, two exhibited it as a possibility but only if the price per pound and demand increased. Only one agent was negative about the impact the buyout would have on the future economy of this country. The remaining agents said it could be positive but only if demand was strong and the price increased.

CHAPTER 7

SUMMARY AND CONCLUSIONS

The reason the Burley Tobacco Buyout Program was chosen as a topic of research is because the raising of burley tobacco has been an age-old tradition in the Southeast region of our nation. While burley tobacco was once a major cash crop, many circumstances are affecting areas once dependent upon this commodity. Since the beginning of the Burley Tobacco Buyout Program on October 22, 2004, many changes are taking place in areas where tobacco was commonly grown.

Producing a crop of tobacco was almost a ritualistic event that encompassed practically the entire year of the farmer's agricultural calendar. Preparation for the coming year's tobacco crop made the typical farm's activities almost a cultural event. From May 10th (which typically is the last threat of frost) to June 15th (a point at which it is not feasible to plant any later because the crop will not have time to mature), every farm family who raised a crop of tobacco was increasingly involved in preparing for this process. In earlier years, when tobacco production was at its peak, a farmer could own quota and if not choosing to raise the poundage, could leased it as a source of income. As another alternative, a farmer could raise the crop or if another party was available who wanted to lease the quota, it could be raised on the shares and the individuals involved could be aided in the expense. All three methods were common ways for the quota holder or farmer to make a profit from the tobacco industry. Much of the money made from tobacco allowed farmers to have currency for bills like land taxes, machinery, or debts which they might not have had the funds for had it not been from profits made on tobacco.

Another issue addressed in this thesis concerns the tobacco industry going overseas and consequently our country becoming more and more dependent on foreign markets. This is not only true for the tobacco industry but for many other consumer and manufacturing industries the U.S. was once known for controlling. This problem could have a large impact on the economies of local communities and our nation as a whole.

The research for this thesis came from a variety of sources. Information was taken from internet sources, newspaper clippings, published documents, books, magazines, and government reports that explained the history of the tobacco industry, including any recent developments that have occurred over the years at the local, regional, and national level. In addition to these sources of information, agricultural extension agents and current and former tobacco farmers were interviewed to ascertain their experiences and opinions in regard to tobacco production and the recent buyout program. Interviews were conducted in Sullivan County, Tennessee, Watauga County, North Carolina, and Washington County, Virginia to see how farmers in these areas have coped with recent changes. Because all three areas are geographically similar, it was of interest to see how each participant has used the money received from the buyout program to cope with the effects of a declining tobacco industry.

Tobacco farming and the recent changes were chosen as topics of research because my family has been involved with the production of tobacco for five generations. This was always considered a major cash crop and we raised it faithfully until the year 2004.

With the changes made in the tobacco industry, we did not feel comfortable continuing to raise tobacco without a stable price support in place.

This thesis began by looking at the history of the tobacco industry and noting any changes or advancements made in this industry over the years. Next, the allotments and quota systems were described, as well as changes up to the present. A focus was on distinguishing Phase I from Phase II and the introduction of the Burley Tobacco Quota Buyout. A discussion of foreign tobacco markets and Big Tobacco's move to overseas production were shown to be primary factors in recent declines in the tobacco market. In addition, the deleterious effects of smoking were discussed and how the health risks associated with it have been major factors in demand reduction in recent years.

In researching whether local farmers had the option of going into another career or not, age and level of investment in farm equipment were seen as prime determining factors. For example, one respondent under age 40 had farmed since childhood, entered into agriculture full-time upon high school graduation, and was in full partnership with his brother and father in a dairy, beef cattle, and tobacco business. The only other participant under 40 was only a part-time farmer and his tobacco production was minimal. At present he holds a wage job and has raised no tobacco since 2002, although this placed him in an eligible position to receive buyout payments.

The remaining 30 respondents all gave the impression that it was too late for them to make any career changes. The few that expected to continue farming with as much vigor or enthusiasm as before, were in their early to mid 40s and had young children. They were obligated to continue due to the demands of a growing family. Participants 50 and older were looking forward to cutting back, ready to reduce the effort previously put into general agriculture even to the point of renting their farms if necessary and particularly, abandoning the effort formerly put into tobacco. Only 10 of the 32 participants actually farmed with no other income, while 22 held some form of wage/salary job or were already retired.

In this study, farmers in the state of Virginia produced the most tobacco acreage while Tennessee came in second and North Carolina third. This was surprising because North Carolina holds the reputation of being the highest tobacco producing state in the nation. However, the large production that North Carolina is known for occurs mostly in the central and costal parts of the state where flu cured tobacco is more common. Farms in Western North Carolina are usually of small acreage and have minimal tobacco production consisting strictly of burley. Averaging the acres of tobacco grown for each state in terms of the largest production years in the past showed that North Carolina farms in this study produced 10.7 acres, the Tennessee sample averaging 13.7 acres per participant, and Virginia leading the way with 39.8 acres per participant. However, because this study only considered 10-11 participants in only one county in each state, these figures are not representative for each state as a whole.

Another interesting finding is that out of these 32 families, only two have children who are interested in farming as their life's profession. Out of these two families, only one has a child old enough to actually consider this option as a career and has put it into action. The other child is much too young to make any firm judgment about this yet; there is simply an interest shown.

The agricultural calendar of a tobacco farmer is another cultural tradition to be considered. From planning beds in early spring, to setting the plants in May, tending the crop in the hot summer months until September's harvest, and then working it off in the late fall, the farmer's life and that of his family revolved around tobacco. Also equally important to the culture of tobacco production was the age-old knowledge passed down from generation to generation about how to raise a good crop of tobacco. I learned of this quite by accident as it was not one of my interview questions although it often came up when talking about past tobacco practices. One of the oldest farmers I spoke with told of his methods for determining the ripeness of a tobacco crop. Upon beginning the harvest, if the first stalk that was cut bled, it meant the sap was still running and the crop was too green to harvest. Another method used was if the leaf had a fuzzy texture to it; unless this was present, the tobacco was not ripe. Also, in looking out over the field, the plants should have a yellow cast to their leaf color and the leaf itself should have a dappled appearance.

Thirteen of the 32 farmers raised tobacco in 2005, which marked the first year of sales without a price support. Four of the Tennessee participants grew tobacco, four in Virginia, and five in North Carolina. North Carolina outsold the other two states by averaging $1.69 per pound, Virginia farmers averaged $1.60 and Tennessee was the lowest with an average of $1.57. The average sale price for what the participants received was $1.62 all together. Five of the 13 were satisfied with their sale price while eight were dissatisfied.

The labor required for bringing in a tobacco crop was also shown to be an issue. Back in the 1990s it was feasible to pay $5.00 to $6.00 an hour for help in tobacco, if you could find it. This in itself is another whole problem. Anywhere you go, who is most typically seen doing the physical outdoor labor such as landscaping, mowing, road construction, Christmas tree harvest, picking produce, and tobacco harvest? It seems unusual these days to find Americans who are willing to do this type of work, or are even physically able. Many of the farmers in this study expressed concern (not always recorded) that if it were not for the Mexicans (not only for farm labor but for general manual labor) the whole nation would be in trouble. Time and time again, the farmers in all three states addressed the situation of not being able to get anyone to work–not only were helpers not willing, they were unable, not physically able, but also unskilled for the type of labor required by those who farm. Meaning, if you are not raised up with it, most likely you cannot do it.

> The Mexicans as far as helping us, are good workers; they come in and get the job done. There are a lot of questions today about them being illegal and the willingness to have them here working, but as far as them being a good resource for tobacco farmers-they are an excellent resource function (VA 5 July 11, 2006).

*   *   *

“We’ve got to keep the Mexicans here. If we don’t, the tobacco is going to go” (VA 4, July 7, 2006).

With the exception of one person, participation in the buyout program was 100% out of those in this study. When looking at the opinions regarding the buyout program, there was marked contrast in the fact that those who perceived it positively owned their quota and raised the crop, thus allowing them to receive the $7.00 quota holder share plus the $3.00 producer/grower share. Again, by being in this position and also by continuing to raise <u>significant acreage</u> up until the years of the buyout, they stood to receive substantial funds simply because they were not just the grower or just the quota holder but were both. When questioned about what their alternative ventures might be, increasing cattle herds was the general consensus throughout farmers in the three states. Only farmers in the state of North Carolina mentioned the options of Christmas tree sales and grape/wine production as alternative occupations. Yet, there was no farmer in this study who had followed through with either of these alternatives up to this point. However, the assumption exists that when there is a surplus of any product in any market, the price for that product falls.

Some farmers in this study experienced a price upheaval in cattle sales this past fall. Calves sold in the early fall (late August through September) brought $1.20 per pound and farmers that who during this period, before the market was flooded, were very pleased. However, during the month of October, feeder calf prices fell and the best calf was worth only .80 or less for several weeks. Farmers who sold during this time took a great loss and could not understand it. My family typically sells the calves off our cows during this time, but we were forced to hold our calves while feeling very anxious and stressed because of the uncertainty in market price. Finally, after much anticipation, the prices went back up during the second week of December and we were able to sell at a better price, but still not equaling what was received earlier in the fall and in no way comparing to the price received the year before. This is to illustrate the uncertainty that all farmers deal with in trying to make a profit on any commodity. They have no control over the price received for their product and are at the mercy of everyone. I relate this to reiterate the fact that the tobacco price support program (when in effect) was the only program in place that guaranteed tobacco farmers a fair price for their crop. Tobacco farmers could count on receiving a certain price for their crop, and even if their crop did not bring the accepted support price, it was placed in a co-operative and sold at a later date, but farmers still got a reasonable check on sale day.

Out of the 31 persons who participated in the Burley Tobacco Buyout, only five will receive substantial funds (which I have determined to be around $20,000.00) a year for the 10 years of the buyout. But this amount in no way will equal what they would have made from their profits on tobacco had things not changed since these five were considered extremely large producers. There was only one participant in the Tennessee study who qualified for $20,000 per year or more, only one in North Carolina who fell in the same category and there were three in the state of Virginia. Within the three states studied, there were two or three who would receive $10,000 or less, but the remaining participants will come nearer to receiving $1,000 or less per year for the 10 years of the buyout.

This situation will not be as big an issue for tobacco farmers who have an outside job besides that of farming. Predominately at stake will be the fate of the 10 farmers who relied solely on agriculture as their only source of income. Out of the 10 who solely farm, four will fall into the $20,000 per year category. The four receiving significant funds say that it is unlikely they will do anything except increase their present farm operation because they are middle aged and consider themselves too old to do anything else.

I feel the future of the domestic tobacco market for the three states in this study is at best, bleak. The farmers who were brave enough to raise a crop in 2005 after the 2004 buyout with no price support, were for the most part dissatisfied with the price they received. Any who plan on continuing to produce tobacco over the next few years stated they would cut production significantly unless the price increased, and that is not likely.

In summarizing the opinions of the six agricultural extension agents, all six strongly agree that tobacco has been essential to the economies of these three states; most likely the leading agricultural commodity in years past. The six agents had the following suggestions for alternative ventures that might replace tobacco: increasing cattle herds, marketing of hay, grapes, hair sheep, goats, shrubbery, Christmas trees, and truck farming. Although my findings showed that some of these ventures had been tried by farmers in this study, the only alternative actually put into practice was the increase of their cattle operations and the baling/selling of quality hay.

According to North Carolina Ag Agent I, the importance of tobacco had decreased in this area because:

> Due to the quota cuts and so forth, that was the primary reason prior to the buyout. It was due to the decrease in quota levels. From 1997 to the buyout in late 2004, quota levels on the farm were reduced by

> better than 50 %. So, that significantly reduced the importance of tobacco, because that reduced the amount of tobacco that could be grown in the county (July 18, 2006).

The agent's feelings associated with the Burley Tobacco Buyout were that this event was inevitable, meaning that something was going to have to happen and it came down to the farmer's accepting the deal or have nothing–so they took it. (The reasoning behind this was that the quotas would have been continually cut until there would have been nothing left to base the buyout on).

Only one agent related in anyway (meaning that they viewed it from the grower's perspective) concerning the amount the producer/grower received. The reasoning being that the buyout/price support termination caused growers a 25% cut in the selling price of their commodity. Another factor that this agent said was bothersome was the tax implication that recipients of the buyout were dealing with. Because quota holders and producers either were not aware or were not planning on how heavily they would be taxed; much concern had arisen among this group.

> When you look at the tax end of it, it's a different story. Some of the figures that I've seen written up in some of these new media, these farmers were getting all this money-I think was somewhat misleading, because the grower payment and the quota owner payment are taxed differently and both are taxed pretty steep. According to what tax bracket some of these farmers are in, at best, they may not get but a little more than half of their buyout payment. The rest will go to taxes (NC Ag

Agent 2 July 25, 2006).

With the exception of one agent in North Carolina and one in Virginia, the other four agents expressed that the buyout was fair to all concerned. However, these two claimed it was more than fair to the quota holder but not necessarily for the grower/producer. All six agents agreed that the cost of producing a tobacco crop has gone up considerably in the last decade. The general view was that this cost increase is due to labor, and they estimated as much as 50% of the end profit would be invested in the labor for producing a tobacco crop.

All agents were questioned about the use of Phase I money in their state as each state had the right to use this Phase I money as seen fit. Those agents in Tennessee admitted that the Phase I money was used to balance the state budget because of debts incurred through TennCare, and although many grand proposals were made at first, they never came to pass. Even those agents in Virginia and North Carolina heard rumors concerning this.

The North Carolina agents were limited in their knowledge about proposals for North Carolina's use of Phase I money. One knew of the Gold Leaf Foundation which originally was designed for infrastructure (tobacco dependent communities, counties, municipalities-not directly for growers). The second North Carolina agent was more knowledgeable and knew of the three areas that were initially proposed for the use of North Carolina's Phase I money: health care, the Gold Leaf Foundation, and the Tobacco Trust Fund (which received less funding than the other two). But, unfortunately, the Tobacco Trust Fund which initially was to help farmers diversify has fallen victim to recent government intervention. Neither agent was aware of any tobacco scholarship funds for the state of North Carolina.

The state of Virginia, however, made more use of its Phase I money than the other two states by far. Scholarships were offered in the amount of $1000 to $1500 for children and grandchildren of tobacco farmers and quota holders. Virginia Highlands, the local community college found in Abingdon, received a grant and was able to build a greenhouse to expand a horticulture program and link it to that of Virginia Tech. Three other cultural landmarks in the town of Abingdon and surrounding Washington County also benefited from Phase I payments, as will the greater community.

Only one of the six agricultural agents claimed that foreign tobacco markets would have a positive affect on the local tobacco market for these three states; yet this benefit will come not from burley tobacco but from flue cured which is not native to the counties in this study. The other five agents said that it could be nothing but a negative influence on the economy, because it will only increase competition. Tobacco companies are not going to buy from American farmers when they can get tobacco so much cheaper from foreign areas. These areas can afford to offer tobacco much cheaper because they do not have so much invested in production costs, unlike American farmers. It is much the same scenario for other industries that have gone overseas like auto manufacturing, clothing, food, furniture, and so on. Foreign countries have the advantage and have taken jobs that formerly were in the United States because of cheaper labor and manufacturing costs.

All six agents were doubtful of tobacco production ever returning to the place it formerly was in this part of the country. The determining factor would be a price increase by the tobacco companies. Again, I feel this will never come about because they are not going to pay more for tobacco grown here when they can buy it so much cheaper overseas. In reality, with the ages of farmers in this study, it is not logical or physically feasible for them to try and continue production. In fact, agriculture in general is on the decline with more and more farms being sold for housing developments each year. Even in my lifetime, I have witnessed this in my own community and among close neighbors and relations. Within a five-mile radius of my home, there were 15 farms ranging from 50 to 500 acres. Out of the 15, six have been sold or had portions of them sold, leaving only nine in operation. These nine are presently being operated as rented farms with the owners, for the most part, being elderly.

When asked about the future economic impact the buyout would have on their area/community/county and whether it would be positive or negative, the following comments were obtained. Those agents in Tennessee and North Carolina were in agreement that the economic impact would be positive for the 10 years that the money would be in circulation, but that after that period, it would be over. Both agents in Virginia suspected the impact would be negative–that the buyout money would not be enough in their particular area to make it a positive influence. For the most part, these farms were generally small, with minimal production. When the quota cuts kept occurring, reducing production until it suited whoever for the buyout to occur, the amount they might have fairly received based on past production was unfairly reduced.

Even in the cases of the larger producers, the tax implications will be so severe that the income received will not be what was anticipated. The tobacco buyout is merely accelerating the phasing out of a way of life that to many, not so long ago, was the epitome of American family life.

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APPENDIXES

Appendix A

Interview Guide for Tobacco Farmers

Please remember that your responses are confidential. This means that your identity as a participant in this research will not be revealed to anyone other than those people at ETSU directly involved in the research or officials of the Institutional Review Board at ETSU.

First we will begin with a few questions about your life and your family.

1. In what year were you born?

2. Where were you born?

3. Where have you lived most of your life?

4. How long have you lived at this current address?

5. Are you currently married, widowed, divorced, or have you never married?

6. Do you have children? If YES, what are their ages?

7. How many people currently live here?

NOW, to some more specific questions about your experiences as a farmer.

8. How many years have you been involved in farming?

9. During those years, have you had other jobs for which you received a wage or salary? Also, have you ever had your own business outside of farming?

10. Over the years you have been a farmer, what kinds of crops or agricultural produce have you raised? What would you say has been your main agricultural product over the years in terms of market value?

11. For the year 2005, what were your main agricultural products?

12. As best you can recall, for how many years have you grown burley tobacco?

13. Please tell me more about your tobacco growing years: what was the largest amount of burley tobacco you have ever grown? What was the smallest amount?

Were there any years you purposively decided not to plant and harvest tobacco? [Ask for reasons, types of problems, experiences of good years and bad years].

14. Between the time of the first year that you grew and sold burley tobacco to the most recent year you did that, please describe changes, if any, in planting, growing, and harvesting strategies and technology.

15. In 2005 did you grow and harvest burley tobacco? Can you tell me the price per pound you received for that tobacco? What do you think about that price?

16. Do you know about the government's tobacco buyout program? If YES, have you participated in this program? If YES, what do you think about it now that you have started to participate? If NO, why did you decide to not participate? Do you feel that the buyout is fair? Do you think that buyout payments will equal what you would have raised had things not changed? Do you feel forced out of tobacco production?

17. Please describe your experiences with the buyout program so far? Did the end of the price support system influence your decision to participate?

18. For those who have not participated: what is your opinion on the end of the price support system for tobacco? Do you plan on continuing to grow and sell burley tobacco?

19. In the next few years, do you plan on growing tobacco or do you think you will concentrate more on other crops? If other crops, what are they? Do you think that in the next few years you will put as much effort into farming as you have in the past, or less effort? Why is that?

20. Thinking about five to ten years in the future, do you think the tobacco buyout program will end up being positive, negative, or of no importance for the economy of this area? Why is that?

Appendix B

Interview Guide for Agricultural Extension Agents

Please remember that your responses are confidential. This means that your identity as a participant in this research will not be revealed to anyone other than those people at ETSU directly involved in the research or officials of the Institutional Review Board at ETSU.

1. How long have you worked in your present position? Have you worked in this county for that length of time?

2. In your own experience, how economically important do you think burley tobacco sales have been in this county? Do you think that the economic importance of tobacco growing and selling has declined in recent years in this county?

3. What do you think about the Tobacco Buyout Program, in general terms? Do you think that the program has operated smoothly so far?

4. What is your best estimate of the percentage of local tobacco farmers who have decided to participate in the Buyout program?

5. Of those who have participated so far, what kinds of feedback or comments on the program have you received? What have you heard from non-participating tobacco farmers regarding their reasons for not participating?

6. There are two phases in the Tobacco Buyout Program. Do you think Phase 1 or Phase 2 is more beneficial to the local farmer?

7. Do you know of any other agricultural product that has been the subject of a buyout program? If so, how did that work?

8. In terms of the current Tobacco Buyout Program, do you think the conditions of the Buyout are fair for farmers? Why or why not?

9. Can you explain how allotments went to quota and how that was determined? For example, how did it sometimes end up that a 50 acre farm would have a greater allotment than a 300 acre farm?

10. Can you provide an estimate of the current cost to a farmer to produce an acre of tobacco? If so, is that cost much different than it was five years ago?

11. For the 2005 year, what kinds of prices have tobacco farmers been getting for their product in this area? In your opinion, is that a good price?

12. Can you estimate the average dollar amount a farmer received this year for selling tobacco?

13. Do you know if the State of Tennessee used any revenue from the Phase 1 Tobacco Buyout to help balance the budget?

14. Do you know anything about the specifics of the tobacco education scholarship money? If so, please explain.

15. As far as you can tell, has the Tobacco Buyout Program proceeded as planned? Are you aware of any problems or inconsistencies in either Phase 1 or Phase II programs?

16. Do you believe that foreign tobacco markets have had an impact on the local tobacco market? If yes, in what ways?

17. In your opinion, do you think that tobacco production in this area will ever return to the levels it was at a few years ago?

18. Of those farmers who have participated in the Buyout program, do you know of any who are growing and selling other crops instead of tobacco? If yes, what are those crops? As far as you know, have those farmers been able to make a profit from the sale of those other crops?

19. Thinking ahead to five or even ten years from now, do you believe that the Tobacco Buyout Program will be a positive economic force in this county? Why or why not?

Appendix C

Informed Consent Document

PRINCIPAL INVESTIGATOR: William Thomas Jarrett
TITLE OF PROJECT: The Burley Tobacco Buyout Program and Its Impact on Local Farmers

This Informed Consent will explain about being a research subject in a study. It is important that you read this material carefully and then decide if you wish to be a volunteer.

PURPOSE:
The purpose of this research study is as follows: This study will look at the potential social/economic impact the tobacco buyout will have on counties in Northeast Tennessee, Southwest Virginia and Northwestern North Carolina. From the interviews completed for this study a picture of the situations, opinions and plans of tobacco farmers in these areas will be constructed. In addition, these interviews will seek information on alternative sources of income that have or have not been substituted for the cash crop of burley tobacco. In addition to the interviews of current or former tobacco fanners, some agricultural extension agents will be interviewed in order to gain a countywide perspective on these issues. The perceptions and experiences of those involved in this study will help in gaining knowledge of how individuals feel they have been treated by the buyout program and their hopes for the future.

DURATION
The personal interview should take no longer than 45 to 60 minutes to complete. The interview will consist of a limited number of questions that are relatively simple and pertain to the participant's knowledge and experience with the tobacco industry, both past and present.

PROCEDURES

Each interview will be recorded on tape and then later transcribed, word for word. The questions may require the participants to recall past tobacco growing practices. It may require older participants to think back to their youth, but actual crop estimates would go no further back than ten years.

POSSIBLE RISKS/DISCOMFORTS:

There are no identified risks or discomforts for the research participant.

POSSIBLE BENEFITS and/or COMPENSATION:

The only potential benefit is the knowledge that participants would gain about the Tobacco Buyout program that they might not already be aware of. There will be no incentives used in conducting these interviews.

APPROVED
By the ETSU / VAIRB

Ver. 1/27/06 Subject Initials:_____

MAR 10 2006

Document Version Expires
MAR 0 9 2007

BY ______________________
CHAIR/IRB COORDINATOR

ETSU/VA IRB

PRINCIPAL INVESTIGATOR: <u>William Thomas Jarrett</u>
TITLE OF PROJECT: <u>The Burley Tobacco Buyout Program</u>

FINANCIAL COSTS:

There are no financial costs to the research participants in this study.

VOLUNTARY PARTICIPATION:

Your participation in this study is completely voluntary. You may refuse to participate. Also, during the interview you may indicate that you prefer not to answer particular questions or not reveal particular information. At any time during the interview you may decide to stop your participation in this study and none of your answers will be used in this study. There will be no adverse consequences to your decision to withdraw from the study. Finally, should you decide after the interview has been completed that you prefer that your information not be used in the research study, you can contact the researcher at the telephone number shown below and your interview information will be destroyed.

CONTACT FOR QUESTIONS:

If you have any questions, problems, or decide to withdraw from the study, at any time, you may call William Jarrett at 423-878-5958 or Scott Beck at 432-439-6648.

You may also call the Chairman of the Institutional Review Board at 423/439-6055 for any questions you may have about your rights as a research subject. Furthermore, if you have any questions or concerns about the research and want to talk to someone independent of the research team or you can't reach the study staff, you may call and IRB coordinator at 423-439-6055 or 423-439-6002.

CONFIDENTIALITY:

Every attempt will be made to insure that your interview information is kept confidential. A copy of the records from this study will be stored in the Department of Sociology and Anthropology at ETSU for at least 10 years after the end of this research. The results of this study may be published and /or presented at professional meetings without naming you as a subject. Although your rights and privacy will be maintained, the Secretary of the Department of Health and Human Services, the East Tennessee State University Institutional Review Board and research-related personnel from the ETSU Department of Sociology and Anthropology have access to the study records. My records will be kept completely confidential according to current legal requirements. They will not be revealed unless required by law, or as noted above.

APPROVED
By the ETSU / VAIRB

Ver. 1/27/06

Subject Initials:___

MAR 10 2006

Document Version Expires

MAR 0 9 2007

BY ____________________
CHAIR/IRB COORDINATOR

ETSU/VA IRB

PRINCIPAL INVESTIGATOR: William Thomas Jarrett
TITLE OF PROJECT: The Burley Tobacco Buyout Program

By signing below, you confirm that you have read or had this document read to you. You will be given a signed copy of this informed consent document. You have been given the chance to ask questions and to discuss your participation with the investigator. You freely and voluntarily choose to be in this research project.

SIGNATURE OF PARTICIPANT DATE

PRINTED NAME OF PARTICIPANT DATE

SIGNATURE OF INVESTIGATOR DATE

Ver. 1/27/06

APPROVED
BY THE ETSU/VAIRB

MAR 10 2006

BY

CHAIR/IRB COORDINATOR

Document Version Expires

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