Southern Research Report #10

Tobacco Farming

Current Challenges and Future Alternatives

Spring 1998

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The silhouette on the cover is one of the earliest representations of the University of North Carolina at Chapel Hill. Cut by Mrs. William Hooper in 1814, it is part of the Graves Papers in the Southern Historical Collection. The original silhouette is on display in the Manuscripts Department, Wilson Library, the University of North Carolina at Chapel Hill. The Department houses not only the Southern Historical Collection, but also the University Archives.

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Table of Contents

Introduction

As this publication reaches you, the debate surrounding tobacco use in the U.S. has reached a fever pitch. Talks of a "global" tobacco settlement, regulation of tobacco products by the Food and Drug Administration, and multibillion dollar legal concessions by the tobacco industry, including acknowledgment of the dangers of tobacco use, bombard us almost daily.

Many pieces remain missing from the puzzle, but one thing is now perfectly clear: all global solutions to the nations' tobacco addiction must grapple with the dire short-term future facing thousands of tobacco farmers and the rural communities they sustain. Decreasing U.S. tobacco consumption, higher production costs, increasing foreign competition, and an uncertain political landscape will almost certainly change the character of many if not most tobacco dependent farming communities, particularly those in the Southeastern United States.

Addressing these changes, this small volume compiles much of the original work currently being conducted by researchers and policymakers trying to understand these economic and political forces and to ease their frustrations.

The idea for this publication came from two sources. The first was a conference held in Roanoke, Virginia, in September 1996 and entitled "Tobacco and Health: Both Sides of the Coin." Sponsored by the Virginia Tobacco Communities Project and the American Cancer Society, this conference brought together key leaders in agricultural research, public health and the tobacco farming community. The social, cultural, and economic, as well as political and health issues surrounding tobacco were discussed by proponents and opponents of tobacco. The purpose of the conference was to provide a forum in which health and tobacco advocates could discuss the issues they encounter and gain a better understanding of each others objectives. Speakers discussed the cultural and social importance of tobacco farming, the economic impact of tobacco, alternatives to tobacco farming

Young boy in tobacco field [courtesy of North Carolina Collection] and the impact of tobacco on public health. This publication borrows heavily from the presentations given at the conference, updated by individual authors.

The second inspiration was one of the Carolina Seminars, conducted at the University of North Carolina at Chapel Hill between the fall of 1995 and the spring of 1997. It examined the tobacco South's heritage and challenges, bringing together people from across the range of interests and attitudes engaged in the policy debates over the issue. A number of the participants in the seminar also contribute here.

We hope this publication will enlighten and inform others, including policymakers, about the complexity of issues that surround transitions in tobacco farming. The articles offer insight into how tobacco farming has historically been intertwined with the culture and economic survival of many southern communities. More important, this publication shows that the effort to find alternatives, while difficult, deserves attention and increased support.

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Who Gets the Tobacco Dollar?

Wayne Purcell, Ph.D.

Tobacco is an economic crop that is important to many local communities, southern states and the nation. In addition, there is a large excise tax generated from the crop at both the state and federal levels. An important question to ask is who is getting the tobacco consumer dollar, that is, who is benefiting from tobacco.

Nationally, North Carolina is the biggest tobacco producing state and Kentucky is second. In Kentucky, tobacco accounts for 23% of dollar sales when compared with other farming commodities. In North Carolina, from 1975-1995, tobacco went from accounting for 36% of farm revenue to 15%. This does not mean that the tobacco industry in North Carolina is significantly smaller and produces less poundage now compared to 1975, but that the price of tobacco at the farm level has not increased at the same rate or pace as has the price of fruits, vegetables, poultry, hogs, and selected other farm commodities.

In Virginia, in 1975, tobacco constituted 15% of farm sales; in 1985 it was down to 11%, in 1995 to 8%. This is a result of the fact that tobacco prices have not increased in the past 10 years. In fact, prices in 1994 and 1995 were below prices in 1985. This is one of the main reasons that dollar sales on tobacco are decreasing over time, although this does not mean that tobacco's importance in the state economy and agriculture sectors is diminishing.

Currently in Virginia, tobacco is 8% of a $2 billion farm industry in terms of farm-level dollar receipts. It is the top crop in an agricultural industry that accounts for an estimated 15% of employment in the state, directly and indirectly, and 11% of all gross state product is associated directly and indirectly with the industry of agriculture in Virginia. [1]

Tobacco has another important characteristic in key tobacco-producing counties. Other commodities in Virginia,

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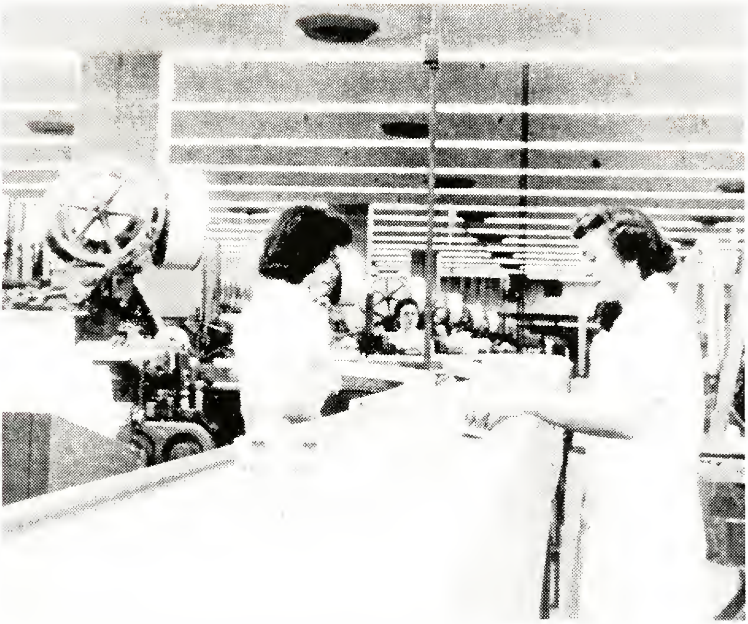

P. Lorillard Tobacco Company, Greensboro, North Carolina, 1950s [courtesy of North Carolina Collection]

North Carolina and Kentucky are spread out in terms of production throughout the state. However, tobacco in Virginia tends to be concentrated in about 6 to 8 flue-cured counties in Southside (South Central) Virginia and about 6 to 8 burley counties in southwestern Virginia. The impact of tobacco in Virginia is thus concentrated in two relatively small regions with about 15% of the counties in the state as a whole. For instance, in Halifax and Pittsylvania Counties, 70% to 80% of all farm-level dollar receipts, including crops and livestock, come from tobacco. Out of just crop receipts, 90% come from tobacco. The impact of tobacco and the dollars it generates is evident in 6 of the major tobacco producing counties in south central Virginia. From 1992 census data, there are 2,141 tobacco farmers in these six counties, 1,640 of whom have $10,000 or higher in sales. In 1995 there were 51 million pounds of tobacco produced and sold for $92 million. Two stemming and redrying operations in the district worked with 200 million pounds of Virginia and North Carolina produced tobacco, generating 1,152 jobs and

$635 million in economic activity. In this region, 11% of total economic dollar activity and 6% of all jobs are generated through tobacco.[2]

In 1980, excise taxes accounted for 34% of the consumer tobacco dollar. Wholesalers and retailers received 23%, manufacturers 37%, and farmers 7%. In 1991, the latest year for which such statistics are available, excise taxes were getting 25%; wholesalers and retailers, 23%; manufacturers 50%; and farmers 3%. These data suggest that the consumers' tobacco dollar is not allocated to the farmer. In this high-dollar industry, where a lot of money is changing hands, most of it is going to players in the system above the farm level and specifically to the manufacturers.

In considering the percentage that farmers' receive from consumer dollars in any commodity, it is wise to look for any shifts in contribution and/or productivity. In certain commodities, over time, farmers have relinquished functions that they used to perform, with middlemen taking over, thus farming makes smaller contributions to the total product presented to the consumer. In this instance it is justifiable that the farmers receive less of the consumer dollar. Payment should be in accordance with productivity and contribution to the final user-level product in a competitive marketplace. Yet, in the case of the tobacco farmer, a majority of the

Opening of Piedmont Tobacco Auction, Oxford, North Carolina, 1997 functions they perform have not been taken over by middlemen. Tobacco farmers have converted to bulk barns, curing, and harvesting, but the functions that the tobacco farmer is performing have not changed dramatically since the 1950s.

The percent of the tobacco dollar going to taxes has decreased over time. Although the retail price of tobacco and the excise tax rates have both increased, the tax rate has not increased at the same pace as the retail price. This does not imply that taxes on tobacco are decreasing; retail prices have increased dramatically in the past few years.

On January 1, 1993, the federal cigarette excise tax was increased from $.20 to $.24 cents per pack. In fiscal 1995, $5.72 billion in federal excise tax and $7.21 billion in state excise tax was collected. State excise taxes range from 2½ cents per pack in Virginia and 3 cents in Kentucky to 75 cents in Michigan. The weighted average state excise tax is 31.5 cents a pack. The tobacco industry thus generates over $13 billion dollars in excise taxes, which is about $51 per capita, the equivalent of $32,500 per acre of flue-cured tobacco allotment (using 400,000 acres) or some $17,333 per acre across all types of tobacco, about 750,000 acres.[3] In addition to federal and state taxes, 8 states (Alabama, Alaska, Illinois, Missouri, New York, Ohio, Tennessee, and Virginia) also have local taxes. Alabama and Missouri receive the most local taxes, but surprisingly even a tobacco state like Virginia has 29 cities and 2 counties that have local taxes on tobacco products or cigarettes.

Through profit data as a percent of stockholders' equity after taxes, in the mid-80s, tobacco manufacturers were making about 20% after tax profit as a percent of equity according to miscellaneous newspaper and trade magazine reports. Other entities, such as the micro-chip industries, probably make more. It is interesting to note however, what tobacco manufacturers have done with pricing at the retail level. From 1980 to 1992 prices for cigarettes did not change dramatically, but in 1992 the price almost tripled. This increase occurred much faster than the increase in the consumer price index (CPI), which is used to determine the increase in the cost of living. In 1982, the prevailing cigarette price index was 100, but in 1992 the cigarette price index reached 300 (a 3-fold increase), compared to a CPI in mid-1996 of around 155. In August of 1993, however, on virtually every type of cigarette that manufacturers sold, the price was reduced at wholesale by 20%.

Elasticity, a property of the demand for consumer products or services, describes the relationship between changes in price and changes in quantity. The elasticity of demand for cigarettes across all consumers is about -0.3.[4] This means that a 10% decline in price would increase consumption by about 3%. Similarly, a 25% decline in price would generate a 7.5% increase in consumption. Consumption has thus increased because of the pricing policy at the manufacturing wholesale price level.

In addition, there may be a tobacco price squeeze looming. While the per-pound cost for tobacco production increased in 1995 and 1996, for the past ten years selling prices have been flat. The price of tobacco for farmers in 1984 was above the price in 1995. Since the nominal prices paid for tobacco have flattened, inflation-adjusted prices have decreased sharply. There is likely to be immense pressure placed on farmers in the next few years to adopt technology to make production costs lower and allow prices to be cheaper, resulting in fewer tobacco farmers working larger farms.

The tobacco dollar thus goes in many different directions. Tobacco generates $13 billion in excise tax revenue. The tobacco industry provides jobs in production, warehousing, manufacturing, and the supply industries that provide inputs, machinery, fertilizers, and seeds. Continued dialogue and analysis are needed to assure that consumer dollars are being allocated equitably to all the players in the industry. It is evident that the producer, the player who appears to be facing the biggest and most difficult adjustment, is not facing a very lucrative situation.

Farmers will be caught in difficult circumstances as myriad economic and social forces act to decrease the domestic market. Unless the export market increases significantly to offset domestic market losses, and other producing countries are competing for this global market, U.S. farmers will face price declines. They have no way to pass on the economic pain of selling price declines. Input costs (fuel, machinery, labor) tend to go up with overall price-level inflation. As costs increase in the face of selling prices that are stagnant or even declining, the tobacco-producing families face a cost-price squeeze and an inevitable decline in living standards. Those families, buffeted by economic forces beyond their control, will need assistance in their efforts to diversify, change their programs, look to off-farm employment and, in other ways, seek to survive.

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The Farmer and the 'Helicoaster'

by Ferrel Guillory

For the past three years, George Autry and I have been looking, listening, attending meetings, and visiting folks in North Carolina and Kentucky with the aims of gauging the future of tobacco farming, assessing the likely results of changes in the tobacco economy on rural people and communities, and looking for options for easing their economic trauma.

Jim Graham, the long-time Agricultural Commissioner of North Carolina, had it about right not long ago when he told a group of farmers: "You know, we've been on a helicoaster ride." Indeed, between the propaganda of the tobacco industry and the hysteria of some critics, the people and places dependent upon tobacco have been riding a combination of helicopter and roller coaster—up and down, down and up, but always hovering.

To farmers, a good crop comes in one year, and it's not so good the next. One year they may have a surplus, and the next year a buy-out is needed. Still there is a certain steadiness to the crop; tobacco is built into the culture.

The truth is that tobacco is replete with contradiction and paradox. Pharmacologically, it calms—and also acts as a stimulant. It may ease stress, but raises blood pressure and can make you very ill. Agriculturally, the tobacco price support and production control system stands as a model of a successful government project, yet its very success makes it vulnerable. Over the long term, the supported price of tobacco cannot compete on the world market.

Politically, too, the tobacco industry is a victim of its own productive genius. Technological progress has cut into the need for both farm and factory hands. As the work force has melted down and as tobacco jobs have diminished, so has the constituency for the industry.

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Philanthropically, North Carolina's most despised and health-sapping crop has produced one of the healthiest non-profit sectors in the nation. The Z. Smith Reynolds Foundation, the Mary Reynolds Babcock Foundation, the Duke Endowment, and the Kate. P. Reynolds Trust have served North Carolina immeasurably by bolstering its education, health and welfare.

Intellectually as well as emotionally, tobacco drives people to paradox. In 1988, Al Gore came to North Carolina talking about his own family's experiences in tobacco farming. In 1996, Gore went before the Democratic National Convention and talked about the death of his sister from lung cancer. Some of tobacco farming's most ardent defenders do not smoke.

At the 1995 State Fair in Raleigh, there was a song and dance show, with characters dressed up as commodities, designed to show what North Carolina farms send to market. There was a tomato, an apple, and a strawberry. The show had a hog, a cow, and a carton of milk. The actors sang ditties along the theme of the State Fair's jingle—"Goodness Grows." Amazingly, there was no tobacco leaf. Ten years ago, no one would have put that show on without a tobacco leaf.

Not long after the State Fair, a tax assessor, banker, county extension agent, and several farmers gathered in Tarboro over lunch with me to discuss the situation in their region of the tobacco South. At one point, rather naively, I turned to a 31-year-old tobacco farmer at the table, and I said, "OK, just tell me truth. What's going on out there?"

"The truth is on the pack," he responded.

I didn't quite hear him, and said something like, "Huh?"

"The truth is on the pack," he repeated, meaning, of course, the Surgeon General's warning on cigarette packages.

I asked him to explain what that truth meant to him.

"I'm not going to be a martyr to that truth," he said, and he went on to explain that he had a farm to run, a family to feed, machinery to pay for, and the know-how to grow tobacco. If the federal tobacco program comes to an end and he has to sell directly to R. J. Reynolds or to Philip Morris, he said he was ready. While his may not be a majority opinion, there's at least one young tobacco farmer—and I suspect many others—who are ready psychologically for the end of

Tobacco Queen, Tobacco Festival, Wilson, North Carolina, 1938 [courtesy of North Carolina Division of Archives and History]

the tobacco program.

What we've heard in Kentucky and North Carolina leads us to the conclusion that the sixty-year-old tobacco program is slowly coming to an end, perhaps in the next six or seven years. It's unlikely to die as a result of its repeal by Congress, or as a direct result of anti-smoking health advocates. Rather, its slow demise is the work of the international marketplace. Tobacco is being grown in other countries more cheaply than American tobacco, and change is inevitable on this side of the ocean in the way tobacco is marketed.

Any economic or political solution has to take into consideration Kentucky, where the tobacco crop brings in an average of $800 million a year, and North Carolina, where it's a billion-dollar crop. Of course, Virginia, Georgia, South Carolina, and Tennessee also figure prominently in tobacco politics, but they have far fewer constituents involved in tobacco than the Big Two. North Carolina and Kentucky have more acres in tobacco than 14 other tobacco-producing states combined.

The Big Two, though, have significant differences—Kentucky is more dependent on small farms and is less diversified economically; North Carolina has more farm consolidation and one of the nation's most thriving state economies. Of the 15 most tobacco-dependent counties in the country, 13 of them are in Kentucky and 2 are in North Carolina.[1]

The demise of the tobacco program would be absorbed relatively well by North Carolina's economy, although it would hit hard in a number of small towns. The state recovered from the loss of 250,000 textile workers during the recession of the 1970s and the retooling of the industry in the 1980s. Even some tobacco-dependent counties will survive a transition in fair shape. But the real problem in North Carolina—and in Kentucky, too—is that certain rural counties, with low per capita income and high poverty rates, have little resiliency. There are forty-three rural counties in North Carolina that MDC has identified as chronically distressed, and the distress for many of these will increase.[2]

Look at the top ten tobacco-dependent counties in North Carolina, for example. Only one has a per capita income higher than the state's per capita income. Five have per capita incomes $2,000 or more below the state figure. Only one of the ten has a poverty rate below the state's rate; five have poverty rates of 20% or higher. Only two of these counties have unemployment rates below the state's average; five have unemployment rates more than a percentage point above the state's average.

Of the top ten tobacco-dependent counties, only one ranks even in the middle range of North Carolina counties in a measurement of their fiscal capacity. This means that nine

Jim Graham, Agricultural Commisioner of North Carolina, at opening of Tobacco Auction in Oxford, North Carolina, 1997

of those ten are at the bottom of the rankings, among the state's weakest counties in terms of their ability to afford public services.[3]

We have a real problem, therefore, in sustaining rural communities for people who want to remain in a rural way of life. We have to have targeted economic development strategies.

An important shift took place during the first term of President Clinton in terms of public policy at the national level. In the administration's first two years, the policy on reducing the consumption of tobacco revolved around taxes. As part of the proposed health care legislation, President Clinton proposed a major increase in tobacco taxes, with a side benefit of a reduction in consumption, particularly among young people. A portion of the resulting revenue could have been used to finance an effort to sustain rural economies in the South during a transition period. When the health legislation collapsed, the tobacco tax proposal evaporated—no tobacco tax increase and thus no reinvestment fund.

In the second two years, the Clinton administration put the focus on Food and Drug Administration regulation of tobacco nicotine as a drug. However effective a focus on regulation may be in keeping young people from taking up the smoking habit, it does nothing to raise funds for rural transition assistance.

Neither the original proposed $368.5 billion settlement negotiated by state attorneys general and the cigarette manufacturers nor a cigarette tax enactment by Senators Kennedy and Hatch envisioned a rural transition fund. But these measures, holding out the prospect of huge sums of money being in play, opened new windows of opportunity for discussing how to preserve rural communities and how to assist the people who do the blister-raising toil of growing the crop.

The question, of course, is not how to get farmers to switch from tobacco to strawberries or how to "wean farmers from tobacco." Most farmers know the economics of growing tobacco and growing something else. They grow tobacco because they know how to do it well, and it brings them more money than other crops would.

The "alternative to tobacco" is not just another commodity; it's not as easy as turning the same land over to strawberries, cucumbers or corn.

The alternative is multi-faceted. In North Carolina, it includes hogs (although that alternative has posed new environmental pressures on the state). It includes the cargo airport under development, and the medical school at East Carolina University, and an appliance factory, and any number of measures that diversify and strengthen the economy.

In both Kentucky and North Carolina, the alternative to tobacco means giving rural people ready access to the wider world through the information highway in much the same way that farm-to-market roads gave them another kind of access in previous decades. It means ensuring that streams and rivers are cleaned up and kept clean. In other words, technology and environmental rehabilitation could well be key facets of the strategies supported by rural transition assistance.

The tobacco transition strategy should include community colleges and regional universities, roads and sewers, assistance to entrepreneurs and local capacity building.

Our goal should be to help people to live where they want to live and still prosper, to preserve community and ruralness for those people who want ruralness. Southern states, along with the federal government, can act as catalysts in strengthening and maintaining rural communities. Those farmers who would like to do something other than continuing to grow tobacco or who want a different life for their children and grandchildren should have fresh opportunities open to them, and they shouldn't necessarily have to move to Raleigh, North Carolina, or Lexington, Kentucky, to find them.

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Black Americans in the Tobacco Culture

by John Hatch, Ph.D.

The rhythm of life, values and the culture as well as the economy and governmental structures affecting my family were shaped by tobacco. Over the past 8 generations and 200 years, tobacco has played a significant role in my life and the lives of my extended family.

The tobacco culture has always been demanding. The crop required hard work, good weather and good luck. The first 70 years of my family's sojourn with tobacco was as slaves on plantations in Fayette and Marion Counties in Kentucky. In 1838, a poor crop and debt led to my great-grandfather, his mother, two sisters and a brother being separated and sold at auction in Campbellsville, Kentucky. Notwithstanding emancipation, the right to vote, land ownership, and modest economic mobility, some members of the family grew tobacco on the same land for over 200 years. The cycle ended two years ago when a cousin stopped farming because of old age and disability. African Americans, while traditionally being major participants in the tobacco economy, have experienced it very differently than most white people during its years of economic and political prominence.[1]

In Kentucky, Maryland, North Carolina, and Virginia, slavery was profitable primarily because of tobacco. When freedom came, black people had little choice but to continue as virtually indentured servants, bound nearly as strongly to endless toil without reward as before emancipation.[2] However, there were differences. A few people left in search of better opportunity in other regions of the nation, although most stayed. Family ties, knowledge of tobacco raising, and skilled and subsistence farming were assets that caused most freedmen to remain on the land. Hamlets and villages exclusively populated by freedmen began to emerge through-

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African American farming family, 1930s [courtesy of North Carolina Collection]

out the region.[3]

Communities grew up, most often free-standing, near the estates of large landowners. The pattern of human settlement unique to tobacco culture facilitated development of cultural institutions tailored to the needs of freedmen. My grandparents in Fayette and Marion County grew up and lived their adult lives in black villages tied economically to the culture of tobacco. Every hamlet and village had two or more churches, most either Baptist or Methodist. The lodge hall, common in most places, served as a civic and social center. There was an elementary school except in some places where the church house was used for school. The community cemetery was an especially valued resource as families could be laid to rest in the same location. It was a luxury that slaves had not enjoyed. The value placed on a dignified funeral and comfortable resting place gave rise to lodges and benevolent associations that served many needs. These organizations, allied with churches, encouraged clean living and social responsibility. Senior members of these organizations were the norm setters and enforcers of values perceived as essential to family life and supportive community living. In addition to burying the dead with appropriate ceremony, the lodge was overseer of the general welfare. Disabled members were given assistance in raising and harvesting crops and upkeep of farm animals and other necessities of living. During crises such as burnouts, grave illness, or sudden death, the lodge provided material assistance and social support. [3,4]

The celebration of emancipation day, the day black people were set free, was an especially important event. Speakers of renown in black society were invited to these occasions. Most often they spoke of past struggles and encouraged pursuit of hard work, education, discipline, and a sense of peoplehood as characteristics essential to race progress. While material gain was encouraged, it was always clear that obedience to God and good citizenship were of greater importance than material gain.

The potential for leadership development within the pattern of the black subculture was greater than opportunities available in the deeper south on the large cotton, rice and sugar plantations. While opportunity was within the context of the social caste system, it allowed the creation of institutions that encouraged education, self-reliance and race pride. And it is these products, rather than economic wealth, that form a positive bond with the tobacco culture: the sense of community, a culture that is durable and sup-

Young African American girl looping tobacco [courtesy of North Carolina Collection] portive.

Following emancipation and until a generation ago, large numbers of black people were employed in the tobacco economy. By 1970, however, the number of black people growing tobacco and working in tobacco had steeply declined. In North Carolina, in several tobacco-producing counties, 20% of the black population left between 1960 and 1970. By far, those who gained the most economically were well-paid, mostly urban-based, unionized cigarette workers. They formed a significant well-paid working class population in such tobacco processing towns as Durham, NC, Louisville, KY, and Lexington, KY. Their ranks are declining today because of technology and reducing demand for the product as well as international production. The majority of leavers during the '40s, '50s and '60s went to urban places in the North. Better educated young males have been more likely than others to migrate.

Perhaps 20% of African Americans alive today have some grounding in what we refer to as " tobacco" culture. The work ethic required for tobacco production is an asset and resource that is carried over to other pursuits. The cultural systems that emerged to accommodate tobacco production may also prove useful in work settings best carried out in cooperative situations requiring specialized individual effort. Tobacco growing demanded intensive levels of cooperation from family and often friends. Even today, many smaller growers turn to off-farm family and friends in helping to bring in the crop.[5,6]

To be useful, a worker must exercise diligence, judgment, knowledge, and skill. African Americans have been profoundly influenced by the culture, political economy and land, although they have never owned much land. The beauty of the sunrise, the fertility of the soil, the lay of the land are part of God's creation. The memory of generations of families past along with the cultural exchange between Native Americans, African Americans, and European Americans has led to the development of somewhat unique cultural and speech patterns in these areas. The reason for being has never been tobacco; rather it is family, community, rivers, streams, sunsets, home-grown tomatoes, and a place to call home.

Over many years, tobacco has provided the economic glue needed to keep families afloat, but this is now changing. There is an urgent need to discover ways to draw on the rich heritage of the people and the land. The nation should be as energetic about building the infrastructure needed to redefine the economic and cultural bases as it has rightly been about stopping the ravages of smoking, a preventable epidemic. Transition planning is called for.

In the present political climate, it may be difficult to persuade decision makers that laboring people, small farmers, tenant farmers, and sharecroppers deserve special services, enabling them to acquire skills necessary to compete in a post-industrial society. Yet the same decision makers have few misgivings about giving tax breaks to industrialists in the United States, Japan, Germany, and elsewhere. There is abundant evidence which supports the relationship between the quality of the work force and the ability of a region to attract high-paying jobs. Because of prior neglect, rural and small town tobacco-producing regions are less competitive in terms of the skills being sought by producers today. The disadvantage can be corrected if there is the will to place human development at the very top of the development agenda. Those families who for generations contributed to tobacco production deserve better than the low-skilled, low-paid, often hazardous work being attracted to tobacco areas today[7] Developers simply underestimate the potential of the people.

Other characteristics attractive to business such as a good work ethic, stable family life, and cohesive communities can be found in abundance. There needs to be an infrastructure for developing and attracting high quality employment opportunities. All too often, new industry comes in and the people who get the best jobs are from some place else. Negotiations for new industry should include maximizing the opportunity of those people who've been displaced from the tobacco economy. Without strong, cohesive voices and knowledge of the implications of alternative pathways to development, development narrowly defined in the interest of big money, corrupt politicians, and those of limited vision will prevail.[8]

Whatever the replacement for tobacco might be, it is critical to involve the stakeholders, especially those who have provided the backbone for production, processing and the manufacture of tobacco products.[9] Revitalization of community organizations is essential. Needs include high quality day care, good education, and civic improvement.

Finally, relationships among races must be targeted to ease the stresses that emerge from competition, flawed understanding and deliberate exploitation. Race has too often been used to oppress both blacks and whites. Efforts toward redefinition must deal with the smoldering embers of racial injustice long neglected. Vision and hard work will be essential to inventing a new and better society.[10]

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African American Farmers and Workers in the Tobacco Industry

by Robert Robinson, Dr. P.H.

African Americans have a long history of involvement with tobacco farming, in the production of tobacco products, and with the tobacco industry. In historical terms, African Americans were introduced to tobacco through their labor on plantations as slaves. One estimate is that two slaves per acre were needed to grow tobacco. To better understand the tobacco path followed by African American slaves across the generations, one needs to appreciate that initially the conditions of slavery favored a paternalistic approach to treatment because slaves were capital; they correlated directly with the wealth of the slave owner. Costs of medical care, food and clothing were favorably viewed. However, the conditions slaves had to endure should not be romanticized.

In addition, slaves were hired out as skilled laborers and artisans to manufacture tobacco products. Indeed, slaves gained these skills after failed attempts were made with immigrant Jews. Such efforts are reminiscent of failed experiments to enslave American Indians that ultimately reinforced the need to continue the African slave trade.

Tobacco has never been an easy crop, requiring healthy soil to grow. The early 19th century saw a decline in tobacco because of land abuse, decreasing yields, limited areas of expansion, and the failure of efforts to increase production. Other factors contributing to tobacco's decline were absentee proprietorship and bad management of slaves. Some planters responded by moving with their slaves to Arkansas, Mississippi and Louisiana and investing in sugar and cotton. However, other solutions in the form of crop rotation and diversification were exploited, resulting in a 54% increase in tobacco production between 1840 and 1860.

The Civil War heralded the end of slavery but it did not

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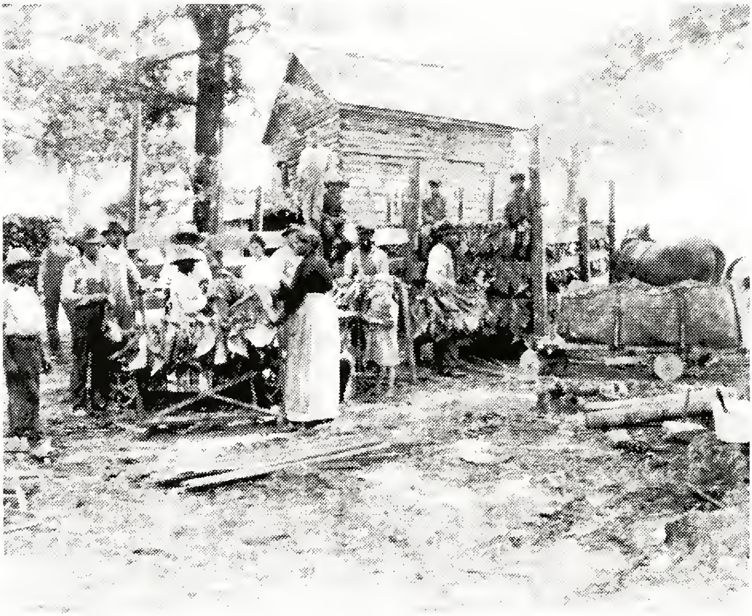
produce substantive changes in the relations of the former slaves to the land or to tobacco production. While, there was an increase in land ownership, it was largely in holdings of less than 100 acres. For example, in Louisa County, Virginia, 1314 African Americans owned land in 1990 compared to only 22 in 1870. The average acreage owned by blacks in 1880 was 24 compared to 299 acres for whites. However, land ownership was no longer a predictor of wealth, since farmers also had to own horses, cattle, mules and oxen. It is clear that African Americans did not profit significantly from the distribution of wealth, in part because of their minimal possession of the materials needed to work the land.

By 1890 slavery had been abolished only to be replaced with a new form of servitude—peonage. Free African American men were encouraged to enter into labor contracts that in effect bound them to the land. Embedded in the contracts were provisions for food and clothing, items the hirer had every incentive to skimp upon. Sadly, federal and state officials did little to prevent even the gravest abuses of this system.



Tobacco farming community, looping tobacco in Granville County, North Carolina, 1930 [courtesy of North Carolina Collection]

The introduction of vagrancy laws further shackled laborers, though the laws were supported by the Freedmen's Bureau. Under the terms of these laws, freedmen could not abandon proper occupations, could not desert their families, and could not roam in idleness without facing criminal penalties. Furthermore, it was deemed illegal to entice laborers to break contracts or in any way to incite one race against another. Labor contracts established between the Civil War years of 1861 and 1865 were validated. Finally, search and seizure of public arms was allowed and often left freedmen without the ability to supplement either wages or poor crops with hunting.

Peonage hit black families the hardest. In Louisa County, Virginia, for instance, in 1880, 59% of white farmers owned less than $100 in personal property compared to 99% of black farmers. In addition, black farmers had less acreage for cultivation, used less fertilizer, and devoted less acreage to food production. By 1900, blacks were 52% of the population but owned only 11% of the land, and their holdings were of poorer quality. Of the blacks that did own land, 33% owned no draft stock (only 8% of whites were without draft animals) and the other two-thirds depended more on oxen than on mules or horses. Simply stated, the African American tobacco farmer in 1900 was all but impoverished by racist social policies.

In the 1990s, the situation is still grim, though forces other than racism are at work. In 1900, there were 746,717 black farmers in the United States and they owned 41,000,000+ acres. In 1992, these totals had decreased to 18,000+ farmers and 2,000,000+ acres. A group of African American tobacco farmers in Greallyville, South Carolina, spoke of this decline in terms of the migration of youth away from the land, the hard labor required to produce tobacco, the loss of land through taxation, and most importantly, the difficulty of obtaining operating money. In addition, a system of credit provided more barriers than solutions. In their view, the farm loan credit process essentially locked out poor black farmers. Applications, for instance, were reviewed by committees comprised of approximately 8,000 people nationally, of which 19 were African American, 50 were Latinos and few were females. African American farmers complained of having to go to warehouses for credit and paying 30 cents on the dollar. They complained about going to appeal examiners and having the examiner enter the room wearing a tie with an image of the Confederate flag. It is important to understand the sensibilities of a black person entering a room seeking judgment on an appeal and having to deal with the symbol that they perceive as the embodiment of injustice. They complained of confronting an old boy network that has barely evolved since the immediate post-War days, locking blacks out of the basic mechanisms for power sharing, resource allocation and profit. Tragically they told a tale of deceit and thievery.

In the 1940s, the independence of farmers was undermined by a policy of renting their allotments. In the late 1980s, under provisions of a new farm bill, tobacco allotments that had previously been rented had to be farmed by the renter or lost. Along with a rumor that the tobacco program was going under, many small, black farmers sold their allotments. Ironically, since they had been renting for years, they no longer had the means to produce their own tobacco. Primarily, white, large landowners bought the allotments.

Black farmers in Greallyville clearly stated that they are not wedded to growing tobacco, but their love affair with the earth remains. Indeed, the only thing sacred about tobacco are the allotments and the price supports, and black farmers would support a transition program that would ensure alternative crops that are given parity with tobacco. These programs would necessarily include training opportunities for new careers and subsidies that would support the transition to and growth of less lucrative crops. They believe they should be subsidized for a given number of years not to grow tobacco and given assistance with the development of alternative crops.

In looking at the historical context of African American workers, the tobacco industry has been as important to the worker as tobacco growing has been to the farmer. In fact, the tobacco industry has the longest continuous record of factory employment of African Americans in the United States. In addition, it was the only significant factory work for them as well as for women in the South prior to World War I. Historically, work in the tobacco industry followed race and gender patterns. For example, black men were responsible for removal of leaf from the auction room and black females wrapped the tobacco. White men were foremen, inspectors and mechanics, and white females were the weighers and counters. In general, African Americans were the janitors, porters and outside workers while whites held skilled maintenance jobs. In addition, the work force was often effectively segregated by housing workers on the basis of their duties.

There were many factors that contributed to the rise and fall of African American labor in the tobacco industry. Initially, although blacks dominated the low skill occupations, their early dominance by sheer force of numbers meant that they were also represented in higher paid jobs. It was precisely the attractiveness of these wages which led to the replacement of black machine operators with white females and the increasing number of white males in supervisory and white collar positions. In the 1880s, the introduction of the cigarette machine set the stage for the 20th century rise of white labor and their dominance in cigarette manufacturing. Ironically, the low wages African Americans received in stemming and processing made mechanization in this arena unprofitable. This ratio of wage and profits would eventually change in the 1930s and mechanization would then further remove African Americans from the industry.

In general, the occupations dominated by African Americans were characterized by extremely poor working conditions. Initially, demand for cigarettes spurred increased

AfricanAmerican employees hanging tobacco in a stemming and redrying plant, Kinston, North Carolina, 1935 [courtesy of North Carolina Collection] demand for low paying processing jobs and this aided black labor. By 1903, 50% of workers in Kentucky were black; 73% in North Carolina and 64% in Virginia. However, there were extremely large differences in the median wages received by black ($4 - 5 /week for female) and white ($13 - 20 /week for female) workers.

After 1932, whites emerged as the dominant employee group in the tobacco industry. Contributing factors for this increase were government imposition of the minimum wage, mechanization in the stemming sector, automation, and a correspondingly reduced demand for unskilled labor. In addition, the introduction of unions did not serve the interests of black tobacco workers. Similarly, African Americans were disproportionately affected by declining employment. Between 1930 and 1940, the percent of black operators and laborers decreased from 50% to 18%. During the 1950s, while employment in tobacco increased 20% in the states of Kentucky, Virginia, and North Carolina, black employment decreased by 13%. By 1966, only 26% of all employees in 71 plants in these three states were African American.

There were forces to counteract these negative trends. R.J. Reynolds provided some relief in the mid-20th century by hiring blacks to operate cigarette machines. This was their first opportunity in such jobs. Affirmative action pressures under the Eisenhower and Nixon administrations opened up a few formerly all-white jobs. Affirmative action accelerated in the 1960s under Kennedy, and African Americans did see an increase in the ratio of white collar craft and operator jobs and decreases in labor and service jobs. It is also known that the tobacco industry, in particular Philip Morris, made significant gains in hiring black managers over the past 20 years. Yet the real lessons remain that for both the black tobacco farmer and the black worker, the tobacco road from slavery to the present has been a hard one.

The lessons are unfortunately the same in the tobacco control movement. The tendency is to ignore or exclude African American interests or representation. For instance, African American farmers and workers must be targeted in all diversification initiatives. The historical context of African Americans needs to be considered in order to understand the social and economic impact of tobacco control policies. In a fundamental way, individuals must be sensitive to historical patterns of exclusion or disadvantage experienced by African American farmers and workers. This experience evolved in the economic circumstances of agriculture and industry and the racist milieu which characterized American society.

A system is needed where all forms of farming and all kinds of farmers are supported. If tobacco funded the American Revolution, and slaves made the growing of that tobacco possible, it is to slaves that we owe our very country. The tobacco control movement can continue to reflect the fragmentation of America's history, or it can realize the deep debt this country owes its black workers and define a set of solutions that represent and are responsive to all.

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Tobacco and the Church

by the Rev. Valerie Rosenquist, Ph.D.

"It takes a fool to farm. That's what we all say, you know." The Johnston County farmer who spoke those words one gray, rainy day laughed when he repeated them, but the sense of bewilderment and questioning hung in the air nonetheless. Are they fools?

It's a question born of years of struggle, as farmers have faced increased competition from foreign markets, the escalation of land prices, and debate over tobacco allotment and price support programs. It's a question born of years of pain, too, as farmers have watched their own decline in numbers and economic status. According to the U.S. Census of Agriculture, the number of North Carolina farms growing tobacco fell 88% between 1954 and 1992—from 150,000 to 18,000. This precipitous drop parallels the fall in profit margins for most commodities: in 1957, for instance, the farmer received 16 cents on every dollar spent on tobacco products; in 1991, the figure was 3 cents. This trend, combined with the public hostility, or "demonization," of the farmers growing tobacco has created an environment of constant stress for many farm families. The viability of farming itself is in question as the twenty-first century approaches, placing rural economies in increasing economic jeopardy.

The rural economic crisis is of grave concern to the church on many fronts: not only is our food source threatened, but many church members themselves are part of the besieged group. Over the past ten to twelve years, more and more religious denominations have condemned tobacco use, tobacco farming, tobacco sales, manufacture, and any type of investment in any industry that has tobacco interests. In many southern communities, our tobacco farmers have justifiably felt betrayed by such statements, because the income from tobacco has built and supported churches. In

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fact, tobacco has built and supported the whole state of North Carolina: tobacco money has grown the infrastructure, including schools, universities, and roads. The official church policies were viewed as "an attack on their personal morals, ethics, and status as Christian individuals," and as failing to take into account the complexity of the tobacco industry and tobacco use issues, especially as they pertained to rural communities.

Issues of vocation, economic prosperity, land stewardship, food production, and personal integrity are at bottom religious issues. The North Carolina Council of Churches has been one group acknowledging the depth of the dilemma posed by the tobacco economy. In a 1983 forum consisting of clergy, farmers, and people familiar with the social, religious, and economic dynamics of rural North Carolina, the study group recognized that "sudden interruption of the tobacco economy in North Carolina would bring economic hardship, if not ruin, to large numbers of citizens. Enormous personal suffering from such privation would manifest itself in a variety of physical and emotional illnesses." Yet certainly there were health implications from the continued use of tobacco as well. They concluded,

> "... tobacco has been a significant factor in enabling small farmers to survive. A small amount of tobacco allotment, when combined with other field crops, meat and poultry production, and other income, has provided a subsistence for small farmers for many years. Any significant reduction in the price for flue-cured tobacco would mean disaster for many small farmers. Thus, the economy of North Carolina is heavily dependent upon tobacco, and many families and individuals are directly dependent on it for their livelihood. Such persons cannot be criticized as immoral if alternative ways of economic activity are not available to them. Nor can the state be condemned if there is no alternative to a reliance upon tobacco."

The paper urged the whole society "to pursue with vigor and imagination the development of alternatives." Twelve years later, tobacco growers, policy makers, agricultural extension agents, and others with a direct link to tobacco gathered at a


Original home of Washington Duke at Duke Homestead, Durham, NC

rural Presbyterian church in Johnston County to discuss tobacco issues. The site was important: Johnston County has the most number of farms in the state—1406—and 718 of them grow tobacco. In 1991, tobacco generated some 55 million dollars in income to farmers, and another 211 million to related industries. A full 17% of all personal income in Johnston County is related to tobacco.

White Memorial Presbyterian was an appropriate church site, as well. Founded during World War II, the church for decades was supported by tobacco farmers. Now, while the number of actual farmers has diminished, there are still dozens of people dependent on tobacco income: those who lease their allotments or their fields; and those who work in chemical, fertilizer, and farm machinery business directly catering to farmers. The church itself, like so many others in rural areas, would not be operative without tobacco income.

The church provided a safe space for such a meeting. The purpose was not to address tobacco as a moral or immoral issue, but to focus on the future of the tobacco program and its impact on rural communities.

The conference featured four panels discussing the current tobacco program, farmers' transition stories, debtor-lender relationships, and the realities of transition. Farmers who had successfully made the transition from tobacco to alternative enterprises discussed their experiences. One still grew tobacco, but had added a commercial nursery to his operation, which was increasing profitability every year. Another had begun the arduous task of reclaiming the land for organic vegetable production, which has a huge market and few suppliers in North Carolina. The conference lent credence to the viability of alternative profitable crops for North Carolina's clay soil.

A presupposition of the growers at the conference was the need to look at alternative enterprises. Farmers spoke about the realization that tobacco growing is threatened, and that they need to become more involved with supplements or alternatives in order to survive into the next century.

The conference also taught participants that the church is a natural institution to assist in a dialogue which has been previously dominated by the seemingly polarizing interests of tobacco companies and health professionals. The church can create a safe neutral turf for people to advocate for growers and rural communities while supporting changes in the tobacco landscape.

The issue of tobacco farming has spiritual dimensions. The fear of change and for the future of tobacco is a natural place for church involvement because fear is an emotion that can either motivate people to change or cripple them. Growers want help, but they are scared. The despair that growers feel also reflects mourning for a way of life that they know is passing. Mourning is also occurring in many communities. The church is a natural place for some leadership in helping farmers confront and deal with the painful situation and yet continue to build a future for themselves.

Communities of faith are also natural places to give credence to health concerns. While most growers admit that tobacco causes health problems, they are not going to accept this truth wholeheartedly from health activists. They are willing to hear the truth about tobacco and health from religious leaders as long as they hear something encouraging to accompany this truth. The church is a place of trust for both the farming and health communities, and this neutral ground is needed to bring together both voices and build bridges.

Individuals who are familiar to farmers need to convey a positive message about transitions to tobacco farmers. Representatives from the Farm Bureau, Agricultural Extension Office, Carolina Farmer newspaper, Farm radio, etc., must continue to publicize these issues.

So the question comes back: does it take a fool to farm?

Not hardly. It takes vision, hard work, imagination, and courage. It takes a belief in the future and a dedication to the land. It takes money, which is where the church, I believe, will have to intervene if we are to support this segment of our population. We will have to decide as a nation—urban and rural—if we want to make it profitable for farmers to grow alternative crops. The church has the power to help make this happen—and the moral imperative to do so.

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Virginia Tobacco Communities Project: A Search for Common Ground

by Rebecca Reeve, MS, CHES

The Virginia Tobacco Communities Project (VTCP) is based on the notion that the economic dependence on tobacco experienced by tobacco-growing families is no less real than the nicotine dependence faced by individual tobacco users. Yet much less attention is paid to the economic dependence issue, and there has been little support in the form of research and proven strategies to help communities diversify their economies and decrease their dependence upon tobacco. Strategies must be developed to help these communities adjust to pending losses to their economic base and to address real and perceived threats to community culture if tobacco control measures designed to protect the public's health are to be successfully implemented. The VTCP began in 1994 as the first ever effort to create a sustained and professionally mediated dialog between tobacco and health interests. The VTCP focused on agricultural diversification and economic development options in the tobacco producing regions of Virginia. The overall goal was to aim for healthy, successful, sustainable, rural prosperity.

Health advocates in tobacco producing states inevitably face the question of how their efforts to control tobacco use might adversely affect the livelihoods of growers and thus the economic well-being of tobacco-growing communities and tobacco-producing states. The Congressional delegations from tobacco states point to this concern as they shape national tobacco policy. Health advocates need to educate themselves about tobacco economics so they can answer questions intelligently and advocate realistic adjustment strategies. Tobacco states' legislators face genuine dilemmas regarding tobacco policy, and health advocates can create opportunities to contribute to the public discussion. The

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VTCP provides an example of how Virginia health advocates are able to make a meaningful contribution to tobacco community dialog and strategy. The project set out to accomplish three objectives: 1) learn from growers and other tobacco interests about their needs and concerns; 2) to build non-traditional relationships with these tobacco interests; and 3) to affect statewide agricultural and rural economic development policy.

Representatives from tobacco-growing communities—including tobacco-growing families, warehouse operators, agribusiness advocates, extension agents, and state government officials—came together in a 16-month process that included five roundtable meetings. Consistent themes in the roundtable discussions, as well as in town meetings, private meetings and expert analysis are that: 1) instability exists in the tobacco world; it is not new but may be accelerating due to pressures from domestic free market advocates, health advocates and global tobacco market forces; 2) change will require money to finance both processes and infrastructure to support alternative economic development, and; 3) it is unclear who will provide the leadership and investment to create stable, sustainable rural economies. Wayne Purcell, Virginia Tech agricultural economist, summed it up this way, "Public dollars will be spent, the question is when and whether the programs will be proactive or reactive."(Purcell, 1994)

The VTCP not only provided the resources to support the roundtable process described above and a review of existing data (Purcell, 1994; Knapp, 1996; Southern Technology Council, 1995), but also brought to the table resources to conduct a tobacco public opinion survey (Strouse, 1996). The primary purpose of the survey was to determine first-hand the views of and the degree of support for tobacco-related issues within Virginia. These data were analyzed according to the economic stake individuals had in the tobacco industry, using a sample stratified by those living in tobacco growing communities, those living in communities where tobacco products are manufactured, and the rest of the state. This stratification reinforced the commitment of the project to reflect the different interests of stakeholders, as well as the political context of policy discussions within the state.

Nearly all (over 90%), whether from tobacco growing,

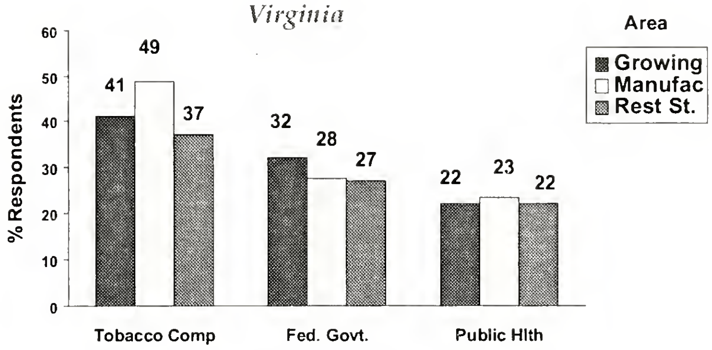


Figure 1

manufacturing, or other areas of the state, believe that smoking is harmful to people. There is also shared skepticism (fig. 1) about the federal government's or public health groups' concern for tobacco growers. These views are strongest in tobacco growing communities where more than half of the people said they strongly disagree or disagree that the federal government or public health groups care about tobacco farmers. At the same time, those living in manufacturing areas are most likely to say the companies care about the growers.

Most people (more than 90%) across all areas of the state say they do not know the tobacco excise tax in Virginia. The current state tax is the lowest in the US (at $.025) and has not changed since 1964, when it was lowered. None of the individuals in the manufacturing or growing areas of the state who gave a value of the tax was correct.

When looking at the level of support for any increase in the tobacco excise tax, the data show that this depends on how any newly generated money would be spent. Approximately three out of four people in all areas of the state (fig. 2) favor using any proposed tobacco tax increase to help farmers and farming communities make a transition away from dependence on tobacco. There is also strong support (59% to 78%) across all three areas of the state for using additional

Tax Issues Support

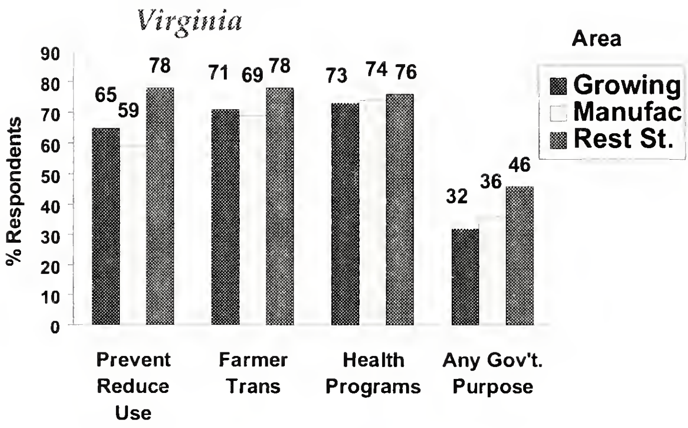


Figure 2

How Virginians Would Divide Potential 5-cent Tax Increase

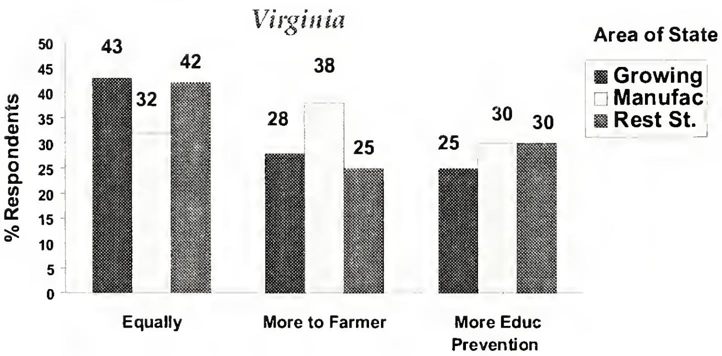


Figure 3

tobacco tax revenue for health programs, including programs to help reduce tobacco use. The support for increased tobacco taxes falls away (42% or lower) when revenues are to go to a general fund for any government purpose.

Asked how they would divide revenue from a tobacco tax increase between tobacco growing communities or education and prevention programs (fig. 3), those living in tobacco-manufacturing communities are more likely to support giving a greater share of the revenue to tobacco communities (38%) or dividing the money equally (32%) than giving it to tobacco education and prevention programs. Four out of ten of those living in growing areas and other areas of Virginia would divide the money equally.

Across all areas of the state an increase in the excise tax of 5 cents is most likely to be supported (fig. 4). This would bring Virginia's tax up to 7½ cents, the median tax of the 6 major tobacco-producing states—North Carolina, Kentucky, Tennessee, South Carolina, Virginia, and Georgia.(Centers for Disease Control and Prevention, 1996)

With the current cigarette consumption rate, $6 million a year could be raised in Virginia with a five cent increase in

Size of Increase Supported

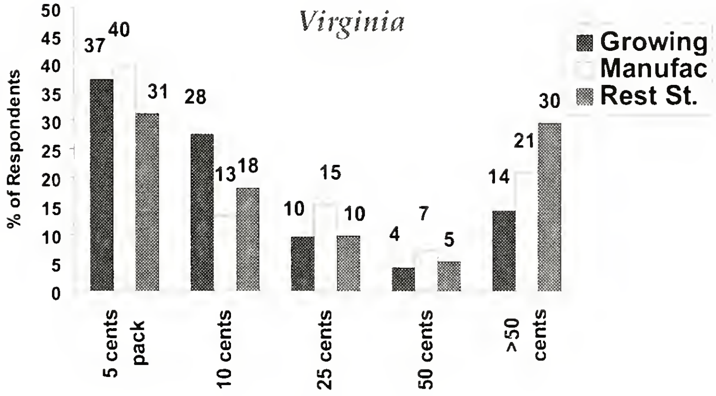
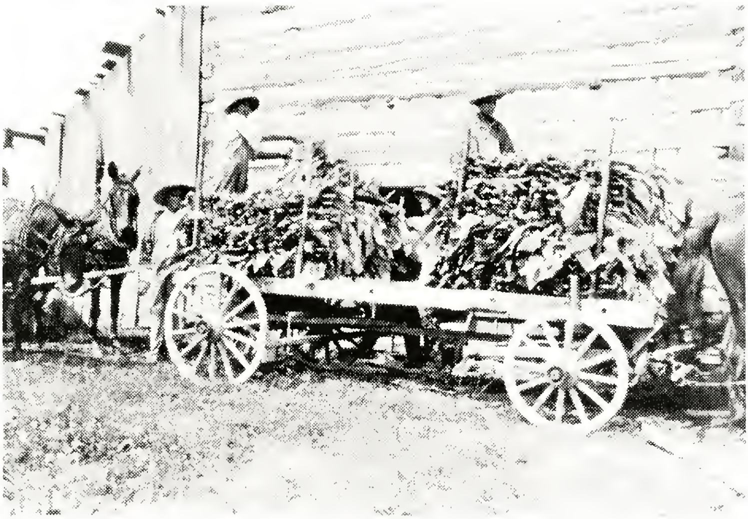


Figure 4

tax. Thus, if the revenues were split equally between tobacco community adjustment and health programs, a fund of approximately $3 million a year (in the short term before the anticipated drop in demand as fewer young people begin to smoke) could be generated. These funds could be used to support the recommendations of the Virginia Tobacco communities Roundtable (Virginia Tobacco Communities Project, 1995) to: 1)ensure that a matrix of on-farm crop and livestock enterprises has been developed and analyzed to assist farmers in selecting options that will be profitable, competitive, and suitable for their operations, 2) ensure reasonable access to financing for agricultural and agribusiness enterprises, including alternative uses of tobacco and 3) ensure the education, transportation, and other community infrastructure development to enhance off-farm employment.

Another concern raised by tobacco community members and elected officials when discussing any potential tax increase is that tobacco states look at their position relative to other tobacco states. It is speculated that Virginia legislators may not be interested in raising excise tax if they have to relinquish their status as having the lowest tax among the 6 producing states. An option would be to consider having regional increases in excise tax. For example, if each of the six top tobacco states increased the excise tax by 1 cent, then $36 million dollars could be generated exceeding the $30 million a year cited by Lou Tornatzky of the Southern Technology Council in a March 1996 meeting of the Southern Legislative Council Agriculture and Rural Development Committee's Tobacco Subcommittee as the amount needed for the Southeast region to capitalize on alternative uses of tobacco. Advocating the same level of increase in excise tax in each state would allow states to maintain their relative position while creating the capital pool to build a sustainable, prosperous future.

The Tobacco Communities Project in Virginia over the past two years has learned that in order to produce results people must be willing to take risks. The formation of relationships with tobacco growers and other nontraditional allies is an important, if not essential element of health promotion. In our case, one prominent tobacco grower acted as liaison between other growers and ourselves and helped to legitimize



Curing tobacco, Alamance County, North Carolina, 1923 [courtesy of North Carolina Collection]

the project's efforts within the tobacco-growing community. He told other farmers that "we'll keep an eye on them; you farmers come out and participate." This relationship can result in awkward situations and dilemmas for health advocates as occurred when many tobacco-growing interests repeatedly emphasized that their primary concern is in maintaining the current tobacco program. Project leadership believed that an important part of the project was to understand and report the concerns and needs of the growers.

The Virginia Tobacco Communities Project has received funding to expand into a four-year regional effort, The Southern Tobacco Communities Project. The plan builds on the lessons learned in the VTCP and anticipates the formation of a Regional Roundtable with representation from the top six tobacco-producing states. The Southern Tobacco Communities Project will also invest in the development and dissemination of the Tobacco Adjustment Matrix, a planning tool to help those growers who want to invest in supplemental activities and alternative economic development make the most competetive choices. A third focus will be to support and collaborate with state-level efforts across the region.

We believe there is a need for courageous leadership from health advocates to move from a single-minded focus to a broader perspective that seeks to understand tobacco production, the government tobacco program, and the quota system. This will also require a shift away from the approach of identifying one's enemies to one that identifies new players and nontraditional allies. The formation of relationships with tobacco growers and other nontraditional allies will not be without their inevitable conflicts of interest. Yet the increased knowledge and understanding of the tobacco community can allow health interests to play a more credible and successful role in creating reasonable tobacco policies on both a state and national level. The employment of consensus-building processes, is an essential tool in helping new partners communicate more effectively and discover areas of common ground.

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Changes and Opportunities for Supplementing Tobacco Income

by Betty Bailey

To understand the diversification issues facing tobacco farmers, it is important to understand several trends. The federal government has begun to phase out its role with the marketing of commodities. Tobacco farmers who are diversified and produce other kinds of commodities like peanuts will thus be experiencing dramatic financial changes.

Second, major changes are occurring with respect to consumer demand. There is an increasing demand for specialty products where the place and mode of production are important. It is predicted that by the year 2000, 25% of the United States food system will be specialty products where consumers are active financial decision makers. The other 75% will be food that is grown under contract. Already, in North Carolina, poultry and hog confinement systems contract with companies where products are sold through mass production and marketing. Similarly, if the tobacco program is not continued, then tobacco farmers will be forced to contract with large tobacco companies.

When discussing diversification issues, farmers are concerned about economics and quality of life. Farmers must find enterprises that supply a comparable and equally stable income to replace tobacco. Tobacco farmers considering adding new enterprises depend on tobacco as their key cash crop. Many have already ventured into alternative enterprises, but if alternative crops are marketed conventionally, they do not bring in income comparable to tobacco. In addition, farmers do not want to threaten their quality of life and continuity of community life if they work with other enterprises. Farmers do not want to see the degradation of community and family values through market transitions.

Cultural factors also influence the degree of transition that a tobacco farmer is likely to voluntarily endure. For

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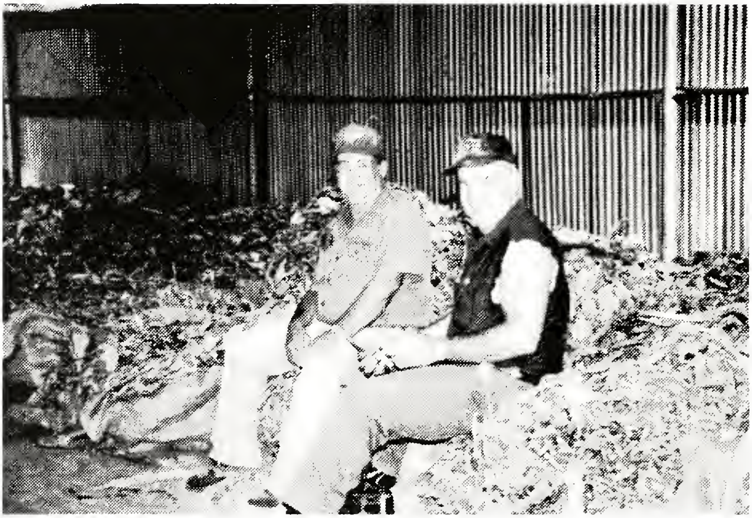
Tobacco in tobacco warehouse at auction, 1997

instance, tobacco farmers have resources and skills in nurturing plants, and every plant requires alot of attention at all stages of growth. Unlike tobacco, the production of grain crops, in the midwest, for example, is primarily factory style.

Thus, tobacco farmers who undertake transition must consider the supplies, equipment, skills, and knowledge they will need. They must consider familial commitment and enthusiasm in terms of time, labor, and interest in the new enterprise. They must examine the degree of economic and financial support they will be able to receive to support transition costs. Last, transition time to develop successful alternative enterprise takes 3-5 years, and farmers have to weigh the potential risks and depth of financial leverage to pursue an unknown enterprise versus staying with a known commodity.

In North Carolina and in the southeast region, comprehensive support systems for diversification are being developed. Our organization RAFI, the Rural Advancement Foundation International, has taken an active role in developing these systems. For instance, we worked with lenders in developing financial support systems. In North Carolina, a Community Reinvestment Act (CRA) was used when a large rural bank was buying up other rural banks. The CRA required the bank to reinvest in the local community and convinced them to target a certain amount of money for alternative enterprises. Normally, banks would be reluctant to invest in new enterprises if they have little experience with them.

A support system has also been created for research and development in alternative enterprises. The most effective and useful initiatives have occurred in encouraging farmers to develop their own innovations and share their ideas with others interested in pursuing tobacco alternatives. This has been possible through the Southern Sustainable Agriculture Working Group, a group promoting economic and environmental sustainability. This group has developed a network to exchange marketing and enterprise experiences among farmers, has produced booklets on farmer's stories, and held meetings with experts in the field of alternative enterprises to share their experiences.

Financial support is needed for research and development. Currently, financial resources have been tapped through the Sustainable Agriculture Research and Education Program (SARE). SARE has provided small producer grants, up to $15,000, for on-farm experiments. This has helped to alleviate some of the risks that farmers may experience from trying alternative methods. In addition, this funding supports

Tobacco in warehouse during auction, 1930s [courtesy of North Carolina Collection] farmers documenting and sharing their experiences with others. SARE is a valuable program where farmers are allowed to take the initiative, lead in research efforts, work with university systems, and work with other farmers in a team effort to attempt new experiments. This program has begun to stimulate university systems to direct more money into research and education with alternative initiatives.

Developing support in the policy arena is fundamental to creating financially stable markets. Political support will be needed to support commodities similar to tobacco. For example, the peanut program operates similarly to the tobacco program, and in many cases, the peanut program has been more successful because of limited imports and price barriers. Currently, decisions have been made by the federal government to phase out such programs despite the knowledge that these types of programs have helped family farmers operate in a stabilized marketplace and provided opportunities for farmers to diversify.

Successful marketing programs are critical to establishing support for diversification among farmers. The Commodity Growers Cooperative, a subsidiary of the Burley Tobacco Growers Cooperative, is leading the way in demonstrating how a cooperative structure can be used to market other products.

Through direct marketing, RAFI has assisted in closing the gap between the farmer and the consumer by promoting local farmers' markets and direct relationships with restaurants or other direct buyers. Church tailgate parking lots are an outlet for direct marketing to bring together consumers and farmers.

Labeling to advertise farmers' produce is another area to increase awareness of products. Labels that show the place of production will allow consumers to decide to support locally produced foods. For example, a product labeled with "produced-by-tobacco-farmers" might encourage consumers to advocate for and support alternative enterprises of tobacco farmers.

An extensive strategy currently utilized for diversification in North Carolina is confinement livestock. This strategy has not been advantageous for most farmers because the contracts are unfair, and farmers do not receive the same level of income that they do from tobacco. Thus, many farmers are extremely disappointed with the results of this shift. In addition, there is a tremendous amount of environmental degradation and massive waste disposal problems such as hog waste spills, polluted waterways, fish kills, and the increased risks of disease.

In considering diversification strategies, it is important to keep farmers at the center. Farmers need to have a lead role in determining which programs best build marketing and production capacity. We need to remain conscious of the fact that many tobacco farmers have diversified operations. We must be aware that a comprehensive system of support is necessary–one that covers production, financing, education, and marketing.

Commodity Growers Cooperative: Farmers Bridge to Consumers, Markets, and Opportunities

by Karen Armstrong-Cummings

The Commodity Growers Cooperative (CGC) is affiliated with the Burley Tobacco Growers Cooperative Association, which is one of the oldest and most successful cooperatives in the United States whether measured by continuous operation, leveraging and negotiating power, or role in determining the price paid to tobacco farmers by the tobacco companies. CGC represents all of the farmers in Kentucky, Ohio, Indiana, Missouri, and West Virginia that have a burley tobacco base. As established in the bylaws of the CGC, burley tobacco farmers in these states are members of the Burley Tobacco Growers Cooperative and the CGC. Three years ago, through the leadership of John Berry, Jr., the Burley Tobacco Growers reactivated CGC to develop markets for products other than tobacco through a pilot project called Kentucky Organic Growers. The project was funded by the Burley Cooperative, Farm Aid, and an array of other foundations and individuals in Kentucky and the South. These efforts were developed to help sustain family farms, which is also the principal mission of the Burley Tobacco Growers Cooperative.

The economy and culture of Kentucky are dependent on family farms. Kentucky has among the highest concentration of small family-owned farms in the United States, farms owned by families who have had them for four or five generations. Among the fastest accelerating trends in agriculture are the rapid industrialization of farming, the consolidation of farms, the growth of factory farms, and the selling of farms for urban development. Such trends will ultimately lead to the eradication of family farms.

A project funded by USDA, called Kentucky Outlook 2000, considered the threats to Kentucky in terms of public health, environmental health, and the economy. Thousands

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of meetings were held in church basements, state and local agencies, and city halls across the state, involving many of Kentucky's 3.8 million citizens. Kentuckians from all walks of life talked about the landscape, the people, and the culture, but mostly they talked about their communities. The greatest threats the farmers felt were to their way of life and to the rural communities that are still at great risk due to the uncertain future of tobacco-farming families.

In order to sustain family farms, the CGC has developed several projects to increase the value of farm products. Kentucky farmers are notorious for their production skills, ability to diversify and to develop quality products. Without a marketing infrastructure, however, acquiring sales and making a profit for other products or new products is difficult. Lack of infrastructure for other products is primarily due to Kentucky's economic dependence on tobacco and the rapid industrialization of production and marketing for other types of crops and products with processing plants being bought up by larger and larger out-of state corporations.

Over the past couple of years efforts have been made to build a marketing infrastructure by the CGC. A board of directors, consisting of eight tobacco farmers, has supported

Children from tobacco farming community, 1930s [courtesy of North Carolina Collection] developing markets for alternatives to tobacco.

In the past three years CGC emphasized an initiative called "Buy Kentucky Products," working with institutions to install a marketing system for local farmers. For example, a system has been devised where produce bought directly from local farmers is served in Kentucky state parks. Although this is a small project it has become a positive step toward helping farmers develop a marketing design for other products. The institutional purchasing of local farm products has provided a market in some of the most rural, low-income counties in the state and is growing as a support system for some farming operations.

The CGC is also working with East Kentucky Vegetable Growers to acquire equipment necessary for production and marketing, such as a refrigerated truck. Access to capital to grow and expand farm product enterprises remains one of the greatest challenges. Support from local banks and local lending institutions often is not available for small farmers.

The development of a marketing strategy and the acquisition of needed equipment has given some farmers the ability to invest in larger enterprises. In Georgetown, KY, the Toyota Manufacturing facility has not only provided manufacturing jobs but most importantly some marketing networks for farmers. For example, Toyota will be purchasing local produce to serve at their employee cafeteria which will provide an additional market for farm products. Likewise, Georgetown College, a private Baptist college in the same community, is also buying local produce for the college cafeteria. This type of direct marketing provides a small business incubator, giving farmers the opportunity to build a track record in producing and marketing. Eventually these producers might work together to create locally farmer owned and managed cooperatives and processing facilities to earn more from their farm products.

Another important project CGC has initiated is the creation of more connections between urban and rural areas. Many people living in cities are three or four generations removed from the farm, and familial ties to rural areas have been eliminated. However, the use of local farmers' markets, public markets, and direct purchasing of local food by restaurants can provide a connection and rebuild an understanding of the agricultural commodities in the area. Farmers have received immeasurable benefits from creating urban-rural connections. For example, in Louisville, Kentucky, a group called the Bingham Fellows is working with the CGC. They have helped to publicize farmers' markets and build economic development dialogue pertaining to locally and regionally grown horticulture and aquaculture products in Louisville and Indiana.

The CGC serves as a catalyst in bringing farmers, marketing, and economic development groups together to initiate statewide partnerships. In fact, the mayor of Louisville and other mayors have met recently with the Kentucky League of Cities to discuss the initiatives cities could take in building partnerships and connections to support the family farm. This kind of enthusiastic cooperation between rural and urban areas should be occurring throughout the United States.

The CGC has also been interested in preserving agricultural land. The fastest way for a farmer in Kentucky to make money is either to grow tobacco or sell land. The consequences lead to changes in the landscape and alterations in the treatment of land. Farmers know the land intimately, they know the watershed, various types of operations that affect the water quality and the landscape of their area. When they are excluded, land use becomes altered, causing environmental health effects such as diminished water quality and decreased air quality from transportation expansion which can threaten public health.

A final area of concern for the CGC is policy development. The Kentucky Commissioner of Agriculture established an Agricultural Advisory Board to develop a marketing infrastructure for the state through small pilot projects looking at diversification, such as vegetable production. Farming operations that have a track record in vegetable production have worked hard at roadside marketing, direct marketing and looking for additional types of markets and wholesale areas, but additional support is needed. Proposals have been made to the governor for some support of this initiative. Investments by local banks and financial institutions are needed in addition to governmental support. Currently local financial institutions are consolidating, and large regional banks are losing connections to rural communities. In order to work with urban-rural connections and

Tobacco Growers Commodity Association, Granville County, 1923 [courtesy of North Carolina Collection]

market development, additional access to capital, to new and existing financial institutions, must be available for farm diversification. Policy development is necessary to support diversification from USDA, as well as the state and local government, and to provide financial incentives and leverage new development.

CGC urges health and agricultural organizations to continue to work closely together, building support for prosperous family farms and sustainable rural communities. These goals can be achieved for family farms and for healthy communities through strong leadership in Washington, in the tobacco states' capitols, and throughout rural communities. Building access to capital, supporting research and technical assistance for small family farms through the states' land grant universities, and providing new mechanisms for low interest and no interest loans are steps that our groups can support together. We urge all Americans interested in the future of our rural communities to build the bridges between urban consumer interests and family farm groups to make this happen.

A Veiw From Kentucky

by Anne Northrup

My involvement with tobacco issues started when the health community came to me and discussed problems of youth access to tobacco and their concerns about the increased number of young children who were smoking. At that time in Kentucky it was legal to smoke and to buy cigarettes at any age. As we began to work on this problem the question arose, what about the farmers? Legislators have a responsibility for the well being of the entire state. If the tax base that runs their schools and provides service to rural communities fails, then this is a loss and financial burden to the entire state.

Although I represent an urban area, Louisville, Kentucky, my taxpayers already help provide the services in eastern Kentucky where the coal industry has declined. This is a tremendous strain on the resources of our state. In these areas, people are without jobs, or a tax base, and they cannot support their own schools. Similarly, if tobacco farming suddenly fails, what would happen to Kentucky as a state?

If the agricultural sector failed, we would lose not only a financial base but the best farm families. Farm communities are an extraordinary group of people, especially tobacco farmers, who have a tremendous respect for hard work. Their children carry this tradition of hard work. Kentucky will lose considerably more than a cash crop if these communities disintegrate because farm families are close-knit and pass the love of farming on from one generation to the next.

The primary concern, though, is not for the industry's loss of teen smokers. If all of the kids in Kentucky stopped smoking tomorrow, there would be no appreciable change in the demand for tobacco at Kentucky tobacco markets. Rather it is the international tobacco market that most determines the price for each pound of tobacco that Kentucky farmers receive.

Even if tobacco quotas remain the same for several years to come, there is still an urgent need for Kentucky to expand

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Anne Northrup is a Representative from Kentucky in Congress.

Tobacco warehouse, Louisville, Kentucky, early 1900s [courtesy of North Carolina Collection]

interest in supplemental crops. Kentucky farm families are currently not that prosperous, even if they continue to grow tobacco. Most farm families have small tobacco bases with many farm acres that are underused and underproductive. The need for a better agricultural infrastructure is independent of the tobacco trend and is essential for Kentucky farm communities and families to have a more diversified and productive income base.

People who say "Okay, if not tobacco, what is the crop?" are asking the wrong question. Producing profitable farms does not depend on just one crop or one issue. More money per acre can be generated with crops other than tobacco. For example, there are farmers in Owensboro, Kentucky, who make more money per acre on tomatoes than on tobacco because there is a tomato processing plant near their hometown. Other farmers in Kentucky have made more money producing grapes because of the grape market and winery program. This winery bill has made it possible for farmers to raise more money making their own wines. The question then is not about which crop but about which system will enable farmers to make more money on anything they undertake.

A successful farm system has three components. First, a market is needed, such as a food processing plant. Food processing is one of the biggest growing industries in this country. Unfortunately, in Kentucky, there are very few food processors, and it is impossible for the citizens of farming communities to consume everything that is grown. If many farmers in a community grew tomatoes and sold them locally, the market would be quickly saturated because farmers can produce much more than their neighbors can eat. In contrast, there are many areas in the US that need food, such as in New York City. Connections need to be made with Kentucky farmers and places where food is not grown and one connection can be made through food processing facilities.

The second component is creating links. In Louisville, Kentucky, the Paramount Pickles plant received their cucumbers from Toledo, Ohio, because it was efficient for them to get a large daily shipment of cucumbers that were already sorted correctly and of the right quality. So, they were willing to buy the pickles at a cooperative and pay for transportation than deal with 2,000 farmers pulling their pick-up trucks up at various times to Paramount Pickles' back door with unsorted or graded cucumbers.

A cooperative system similar to the one used by the Paramount Pickles plant exists in tobacco farming. Tobacco cooperatives serve as the intermediary to 60,000 Kentucky tobacco farmers who display their tobacco at a warehouse where it is graded. The tobacco warehouse serves as an educational link to these farmers and as a collection system. Philip Morris is able to write one check to the tobacco warehouse without arguing with farmers over the grade and price of their tobacco. This infrastructure is needed with other crops to ensure their effective marketing. The lack of a cooperative makes it difficult for food processors to come to Kentucky and the lack of a food processor makes it difficult to have a cooperative.

The third component of a successful farm system is capital to support the changes that farmers need to make. For instance, few farmers have good irrigation systems. Tobacco is a crop that grows even through the very worst of droughts, but this is not true for crops such as tomatoes, cabbages or cucumbers. These crops need a watering system and farmers have to have access to water. Few farmers have the capital to invest in an irrigation system. Opportunities for access to capital are thus necessary for farmers who decide to diversify.

Change itself is very difficult and requires hard work, investments and motivation. Some farmers will find it hard to change and feel like their foundations are crumbling. Each individual changes at his or her own pace as he or she sees the need to develop or imagine new opportunities.

Kentucky legislators can assist tobacco farmers in this transition time. For instance, a bill introduced in the Kentucky General Assembly in the last session would have raised about $20 million for farmer diversification efforts. Fifteen percent of this money would have gone to the University of Kentucky School of Agriculture. Currently, the Agriculture School trains new farmers and gives seminars and talks through the cooperative system. The remaining money would have gone into the Alternative Crops and Enterprises Fund in the Department of Economic Development. A Board composed of the Agriculture Department, the Economic Development Cabinet, and the School of Agriculture would have been established. The bill would have provided money to help attract businesses such as food processing plants to rural communities. The bill would have set aside money for demonstration grants for cooperative development that might have allowed the Farm Bureau, Community Farm Alliance, or any farm organization to serve a region in alternative cooperative development. Such cooperatives would have been funded for 100% of costs for their first year, 90% the second year, 80% the third year, and so forth, down for 10 years. The cooperative would also have been able to serve all commodities and eventually all areas of the state. These new cooperatives would also have served as an educational arm to farmers just as tobacco cooperatives do for tobacco farmers.

The last portion of the money would have gone to underwrite risks. Farmers who borrowed money at the banks would have a risk guarantee so that the banks would be willing to make such loans. Interest rates would have been one half the market rate for the first three years and then three-fourths of the market rate for the next three years. This legislation would have allowed the Economic Development Cabinet to guarantee loans, transfer moneys, and take bids.

A system needs to be developed in which every kind of farming can prosper. Systemic change is needed to support the transition for 60,000 Kentucky tobacco farmers. Many changes will need to be made to support the different needs of each farmer. What is needed now are initiatives to generate revenues for these system changes. Revenue streams can be generated through federal and state governments that will help ease our farm communities through this time of transition.

Tobacco—The Virginia Legislative View

by The Honorable Mitchell Van Yahres

As a Virginia delegate from Charlottesville and Chairman of the Agriculture Committee in the Virginia House of Representatives, I feel it is my responsibility to promote initiatives to help tobacco, considering this crop is the number one economic force in agriculture in the state. A plan for agriculture and the agricultural economy is essential since the tobacco crop is endangered and the tobacco farmer is in need of assistance.

Coming from Charlottesville gives me a certain amount of credibility, when trying to promote help for the tobacco farmer/producer, that even individuals from the tobacco community have not attained. My interest in tobacco stemmed from this credibility, although initially I knew nothing about tobacco and tobacco production.

Ironically, my strong feelings toward health care also stem from my association with Charlottesville. The University of Virginia has a teaching hospital in Charlottesville where a lot of my constituents are interested in healthcare. In my district there are roughly 10,000 state employees, most of whom are attached to the University Medical Center, leading us to be oriented toward education and health care.

In 1994, we began a two-year study of alternative strategies for coping with the problems facing the state's tobacco farmers. The primary problem is a significant decline in tobacco income. According to the U.S. Department of Agriculture, the outlook for U.S.-grown tobacco during the 1990s is characterized as pessimistic. Cigarette production and leaf exports could decline as a result of a number of factors: falling cigarette consumption, world-wide competition, steady rises in cigarette prices and health concerns. Were it not for an extraordinary agreement with tobacco manufacturers who committed to buy about 700 million

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The Honorable Mitchell Van Yahres is the Chair of the Agriculture Committee in the Virginia House of Delegates.

pounds of stockpiled flue-cured and burley tobacco over the next seven years, growers would have faced a cut of 40% in their 1995 operations.

The first year of the study concentrated on looking at trends which affect the production of tobacco and on developing a profile of the tobacco industry in Virginia and its impact on Virginia's economy. In order to create a knowledge base, extensive testimony was received from university researchers, tobacco farmers representing the four major tobacco crops grown in Virginia (flue-cured, burley, fire-cured and sun-cured), warehouse operators, and financial analysts.

While tobacco farmers only represent 6.5% of the nation's more than two million farms, the revenue generated by tobacco farms does reflect their importance to the local economy in tobacco-growing states. Tobacco is Virginia's leading cash crop, accounting for 24% of Virginia's total , valued at about $200 million or 10% of the total agricultural income. Yet, over the decade from 1982 to 1992, the number of tobacco farms in Virginia declined from 13,400 to 8,400.

All those who testified before the Agriculture Subcommittee indicated there was no single magic bullet. No one crop can replace tobacco. Tobacco is typically grown on small acreage and can yield in excess of $4,000 per acre for the tobacco farmer. In comparison, broccoli has a value of $1,000 to $1,800 per acre, corn is valued at $150 to $200 per acre, wheat at $135 per acre and soy beans at $144 per acre. Different commodities, such as fruits, vegetables and cattle, are not replacement commodities but supplemental in nature.

Any extended use of tobacco, such as genetic engineering, is not a panacea. Genetic engineering will provide additional uses for tobacco, but the result will be a change in the culture of tobacco production. The tobacco plant may derive value as a growing medium for producing genetically-engineered substances such as proteins, but such tobacco could be grown close to manufacturing operations that would use the substances genetically produced from the altered tobacco crop. This could make states currently not involved in tobacco production potential competitors. Thus, the production of alternative crops or extended uses of tobacco are not the magic bullet solutions for tobacco growers.

The Agricultural Subcommittee broadened the scope of

Tobacco harvest, Wilson, North Carolina, 1920s [courtesy of North Carolina Collection]

its study by viewing tobacco production in the broader context of agriculture, rural and economic development. Through the assistance of a new group called the Southern Tobacco Communities Project, four roundtable meetings were held which brought together agricultural economists, tobacco farmers, warehouse operators, representatives of the tobacco manufacturers, elected officials, officers of the Stabilization Corporation, experts from the Virginia Department of Agriculture, faculty of VPI and UVA, Virginia Cooperative Extension personnel, economic development officers, administrators, faculty of local community colleges, and representatives of the Virginia Farm Bureau and Virginia Agribusiness Council.

The result of the Tobacco Communities Roundtable meetings was a document that contained specific findings and recommendations. This report was presented to the Agriculture Committee and a number of recommendations were adopted in the form of legislation presented and passed by the 1996 Virginia Legislative session.

The first resolution addressed the importance of tobacco producers having access to modern technology and production because price-squeezing competition from other tobacco producing countries is intensifying. The one entity which has been involved in research that would support the competitiveness of tobacco farmers has been the agriculture research and extension programs. In testimony before the Subcommittee, the Director of Cooperative Extension identified the gaps in their delivery of services. The system's current shortcomings were documented and the legislature restored funding of this needed program which had declined in recent years.

In discussing agriculture development and diversification initiatives, it became apparent that agriculture entrepreneurs had limited access to capital for financing new and/or expanded agriculture and agribusiness activities, whether on the farm or off. Therefore, the Subcommittee requested that the Small Business Commission, a body composed of legislators and representatives of the business community, study capital access and financing of agriculture enterprises. Specifically, the Commission was requested to examine: (1) new initiatives in existing state programs which may increase the accessibility of public and private capital; (2) programs implemented by other states aimed at increasing access to capital; and, (3)the appropriate role of the state in providing the agriculture community greater access to capital.

Finally, there was no cohesive policy of economic development for rural Virginia. Although there are some individual initiatives, there has been no effort to identify potential leadership to help in long-term strategic planning and to stimulate investment in job-creating activities in selected rural communities. Thus, it was recommended that the Virginia Departments of Economic Development, Agriculture and Consumer Services develop and implement a rural economic development plan. The plan should address: educational resources needed in rural communities; the infrastructure needed, including funding for water and sewer upgrades, waste management, housing, roads and telecommunications; industry retention; recreational and cultural enhancement, including parks, civic centers, and theaters; agribusiness incentives to promote the use of new technologies and reduce labor costs on the farm; establishment of a revolving loan fund or loan guarantee program to help start or expand entrepreneurial activities; and the development of an information base of potential employee interests and skills.

Through the Virginia Agriculture Subcommittee's work during the past two years, renewed emphasis will hopefully be placed on the economic development needs of rural tobacco communities. Moreover, this issue has to be addressed not only from the standpoint of individual states but also from a regional standpoint.

It is very encouraging to see serious discussion of the tobacco questions taking place between the farmers and the health care providers. In order to find solutions to each one's problems, dialogue and agreements must be accomplished soon. The perspectives may be different, but the goals can be similar--the reduction of tobacco use by our youth and the retention of a viable rural family farm centered community.

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The Federal Tobacco Price Support Program and Public Health

by David G. Altman and Adam O. Goldstein

Introduction

Over the last two years, monumental political changes have occurred in the U.S. to promote the reduction of tobacco usage. These culminated on June 20, 1997 with the announcement of a potential $368 billion global tobacco settlement. Many legislative bills have been introduced in Congress, including measures to reduce tobacco use among children, restrict tobacco advertising, raise the excise tax on tobacco products, strengthen FDA regulatory measures over tobacco, require new warnings and disclosure of additives on cigarette packs, and, under some proposals, grant legal immunity to tobacco companies. The majority of attention in the settlement talks and potential legislative measures has been focused appropriately on reducing tobacco consumption in current users and preventing tobacco use among adolescents, while simultaneously recognizing the influence of the tobacco industry on such practices.

Until the last half of 1997, health policy-makers had focused relatively little attention on tobacco producers, or farmers, despite the fact that enactment of changes in the proposed tobacco settlement and other tobacco-related legislation might affect the economic livelihood of over 120,000 tobacco farmers predominantly in southeastern states. For instance, in the proposed global settlement deal, there was no mention of tobacco farming concerns. Alternatively, in 1997, bills to eliminate the federal tobacco price support-production and subsidies of crop insurance failed by 2-3 votes. In recent months, interests of tobacco farmers have received considerable attention, and many national settlement proposals now recognize that tobacco farmers and their communities must be afforded transition resources rather than sudden elimination of the tobacco pro-

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gram. An appropriate transition process may be the best policy for public and community health.

One reason why policy-makers have given little attention to tobacco farmers may be a lack of knowledge among many about the current status of tobacco farmers and tobacco-dependent communities. The U.S. tobacco program, while considered one of the most successful agricultural programs of the 20th century, is also very complex. In the past, tobacco farmers and the tobacco industry have combined political forces at federal and state levels to stymie or alter potentially strong tobacco control legislation. In the current policy environment for tobacco control, however, the interests of tobacco farmers and those of the tobacco industry are not necessarily the same. As a result, there exists for the first time an unparalleled opportunity for policy-makers to enlist the support of the tobacco farming community for measures designed to reduce tobacco consumption. For health professionals and policy-makers to simultaneously advocate for the interests of public health and tobacco farmers, however, it is important for them to be aware of the current regulatory underpinnings of tobacco production and how these regulations intersect with health concerns.

In this paper, we describe the history, costs and current status of the U.S. tobacco program, the program's relationship to trends in tobacco farming, impact on the health of tobacco-dependent communities and on the public at-large, public health considerations of the sudden elimination of the program, and the impact on the program of a national settlement. We believe that the time is right to enact policy options that consider the future of the tobacco program and the sustainability of rural communities historically dependent upon tobacco income, while at the same time helping to achieve significant reductions in tobacco consumption, both in the U.S. and worldwide.

U.S. Tobacco Program

In 1995, there were approximately 124,000 tobacco farms in the U.S. (down from 512,000 four decades earlier), and the annual value of tobacco leaf was about $3 billion. While tobacco is grown in 21 states, 91% of the total is grown in just six southern states (GA, KY, NC, SC, TN, VA) and nearly two-thirds of all tobacco farms are located in two states, KY and NC.[1] Burley and flue-cured tobacco are the two major types grown in the U.S., accounting for 94% of all tobacco grown.

Burley tobacco is grown primarily in KY and TN while flue-cured tobacco is grown largely in the other four states.

Currently, government policy limits the production of tobacco in the U.S., resulting in a high price of tobacco relative to the world price. There has been considerable debate about the appropriate role of the federal government in the tobacco program. Opponents of the program argue that it is inappropriate for the government to subsidize tobacco farmers while simultaneously attempting to discourage tobacco use. They also argue that the tobacco program has contributed to the development of a strong southern tobacco bloc in Congress that has effectively impeded the passage of tobacco control policy. Proponents of federal government involvement argue that tobacco farmers pay their own way, that is, the tobacco program is funded at "no-net cost" to taxpayers and that the program helps sustain farming communities.

The current tobacco price support-production control program has its roots in the Agricultural Adjustment Act of 1938 (1938 Act) and the Agricultural Act of 1949 (1949 Act), federal laws that established a support price (i.e., a loan rate) for different grades of tobacco sold through auction warehouses. Under the tobacco price support program (1949 Act), tobacco growers are guaranteed a minimum price/pound for their tobacco in return for agreements to limit tobacco production (1938 Act). If unprocessed tobacco does not generate a price above the price support level (in 1995, the price support level was $1.60/pound for flue-cured tobacco), a grower cooperative will purchase it from an individual grower for later sale. Through this system, growers know the minimum amount they will receive per pound of tobacco produced, thereby allowing them greater predictability in the income they receive each year. Price support programs are not unique to tobacco as they exist for other agricultural commodities as well (e.g., peanuts, sugar, dairy).

U.S. production of flue-cured and burley tobacco is limited through a national quota and allotment system. The specific quota, set annually by the U.S. Department of Agriculture (USDA), determines the amount of tobacco that can be sold in a given year. The national quota is a function of: (1) the buying intentions of manufacturers for U.S. tobacco with a requirement that manufacturers purchase at least 90% of their intentions or face penalties; (2) the average amount of U.S. tobacco exports over the previous three years; and (3) an amount that is needed to achieve stable stockpiles of tobacco held by grower cooperatives (determined by the U.S. Secretary of Agriculture). In addition, the U.S. Secretary of Agriculture can adjust the level of quota up or down by 3% each year from the quota formula total.

Farmers cannot sell tobacco unless they own, or legally lease or rent quota[1] and the quota system results in a substantial amount of income flow between quota owners and leasees.[1] With the exception of burley tobacco in Tennessee, the right to sell or lease quota is generally limited to within-county transfers. Thus, the quota system provides individual growers with a legal right to market a certain amount of tobacco.

There are about 360,000 quota and allotment owners in the U.S. Farmers can also rent or lease quota from others (i.e., they do not own their own). The distribution of quota owners and renters has shifted rather dramatically in the past 20 years.[2] In 1972, 35% of flue-cured growers rented all the quota they produced from others, 19% owned the entire quota they produced, and 46% both owned and rented quota. By 1991, 21% of flue-cured farmers rented all of their quota from others, 7% owned the entire quota they produced, and 72% both owned and rented quota they produced. The situation is somewhat different for burley tobacco growers. In 1991, 19% rented all of their quota from others, 48% owned the entire quota they produced, and 33% both owned and rented quota they produced.[2] Thus, as of 1991, a small proportion of individuals, approximately 20%, were growers but not quota owners.

Knowledge of the distribution of owners and renters has implications for understanding the effects of changes to the tobacco program. Individuals who own quota but do not raise any tobacco stand to lose the most from elimination of the tobacco program because without the program, their yearly rental income and the capital value of quota ownership would be forfeited. For those who own the entire quota they produce (a large proportion of burley growers and a small proportion of flue-cured growers), elimination of the program would have mixed effects. On the positive side (for growers), the program

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[1] The terms quota and allotment are used interchangeably to refer to the amount of tobacco that a farmer can sell. Technically, quota refers to constraints on the number of pounds of tobacco that a farmer can sell while allotment refers to constraints on the number of acres of tobacco a farmer can grow. For purposes of this paper, this distinction is not relevant.

keeps prices high, ensures guaranteed income, gives individuals capital value for quota ownership, and provides a stable environment in which to market and distribute tobacco. A key disadvantage is that the program limits how much an individual can produce and thus earn. The tobacco program is least beneficial to individuals who rent but do not own quota (about 20%) because the lease price cuts into profits while the program simultaneously limits how much can be produced. For those who both lease and own quota (the majority of flue-cured growers and one-third of burley growers), elimination of the program would have mixed effects.

Harvested tobacco is brought by individual growers to warehouses to be sold at auction. Tobacco that is not purchased by tobacco companies is purchased by grower cooperatives (e.g., Flue-Cured Tobacco Cooperative Stabilization Corporation; Burley Tobacco Growers Cooperative) at the guaranteed price support level. Thus, cooperatives serve as the intermediary between growers and purchasers of tobacco. Cooperatives purchase tobacco by obtaining loans from the federal Commodity Credit Corporation (CCC), with the tobacco serving as collateral. Cooperative-purchased tobacco is stored for later sale at a price that the cooperative hopes is above the price support level. The cooperative is responsible for receiving, processing, storing, and selling the tobacco that is placed under loan each year. Proceeds of tobacco sales are returned to the CCC to pay off loans. Grower cooperatives receive operational funding from assessments on growers and manufacturers for each pound of tobacco produced. In principle, this aspect of the tobacco program no longer costs taxpayers any money as the loans are repaid.

Since passage of the 1938 and 1949 Agricultural Acts, numerous amendments and additions have been made. For example, prior to 1982, taxpayers bore the cost of any losses incurred by the CCC (e.g., defaults on loans). To alleviate concerns about the potential burden to taxpayers, Congress amended the 1949 law by passing the No-Net-Cost Tobacco Program Act of 1982 (NNCA). The NNCA required that the tobacco price support program be implemented at no-net-cost to taxpayers, other than for administrative costs associated with all commodity price support programs. Revenue to offset program costs is derived from assessments on tobacco growers (producers) and purchasers (usually tobacco companies). The

CCC sets the level of assessment each year based on a variety of assumptions, most of which are related to the ratio of projected sales and prior loan obligations.

The Consolidated Omnibus Budget Reconciliation Act of 1985 required producers and purchasers to share equally in maintaining the no-net-cost account. As of 1989, it also instituted an additional annual "tax" on producers and purchasers — the tobacco marketing assessment (TMA) — at a rate set by Congress (typically 1% of the national price support level). Revenue generated through the TMA is used for federal deficit reduction, not for administration of the tobacco program. Finally, the Omnibus Budget Reconciliation Act of 1993 amended the 1949 Act by requiring that, beginning in 1994, importers of burley and flue-cured tobacco be assessed a fee equivalent to the sum of the domestic no-net-cost assessments paid by U.S. producers and purchasers.

Growers vote every three years on whether to maintain the tobacco price support-production control program. To date, flue-cured and burley tobacco growers have always voted overwhelmingly to maintain the system. As a summary, Figure 1 illustrates the relationships between various federal government agencies, tobacco farmers, grower cooperatives, tobacco manufacturers, and consumers under the tobacco program.

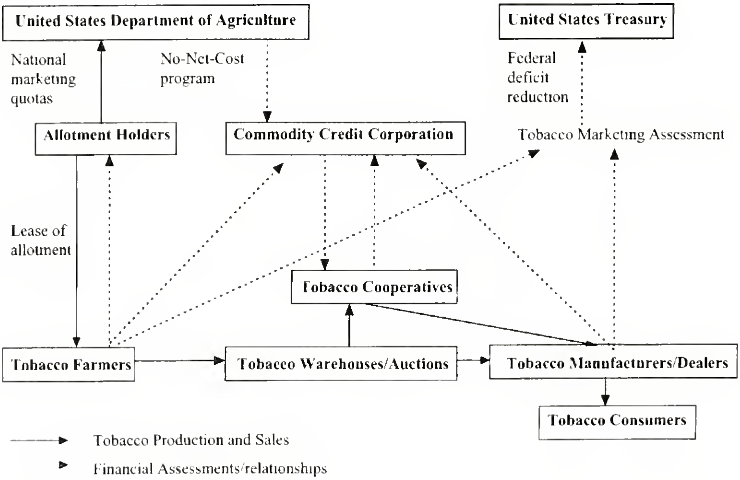


Figure 1: Relationships between the U.S. government, tobacco farmers, cooperatives and manufacturers

Costs of the Tobacco Program

The USDA assumes a number of expenses associated with managing the tobacco program, all of which are paid for by taxpayers. These include USDA administrative costs for running the program, crop insurance premium subsidies for growers, expenses associated with marketing tobacco, agricultural research, and agricultural extension. Between 1989 and 1995, taxpayer costs for the tobacco program have ranged from a low of $19 million in 1990 to a high of $65 million in 1993 (average cost was $44 million) (see Table 1). The major expense that contributed to yearly differences in the cost of the tobacco program was crop insurance premium subsidies—across these seven years, this expense contributed on average 44% to the total treasury cost. In May 1997 and then again in July 1997, Senator Durbin (D-IL) introduced the "Tobacco Subsidy Reduction Act of 1997" that would "prohibit the Federal Government from providing insurance, reinsurance, or non-insured crop disaster assistance for tobacco." The bill, which would have cut the amount of taxpayer support for tobacco farmers by about half,

Table 1. Expenses and revenue of the Tobacco Program

YEAR	COSTS ($)	REVENUES ($)	NET COST ($)
1989	35,831,000	3,501,000	32,330,000
1990	18,966,000	3,708,000	15,258,000
1991	35,075,000	10,426,615	24,648,385
1992	43,088,000	24,294,681	18,793,319
1993	64,770,000	22,037,456	42,732,544
1994	60,231,000	28,058,556	32,172,444
1995	51,107,000	33,694,140	17,412,860
Average Per Year	**44,139,714**	**17,960,064**	**26,179,650**

1. Costs are incurred for the following: Agricultural Research Service; Cooperative State Research, Education, and Extension Service; Economic Research Service; National Agricultural Statistical Service; Foreign Agricultural Service; Agricultural Marketing Service; Farm Service Agency (e.g., administrative expenses of price supports, crop insurance); Commodity Credit Corporation (disaster payments)

2. Revenues are derived from yearly assessments on producers, purchasers, and importers of tobacco.

was defeated by three votes in the U.S. Senate on July 23, 1997.

On the revenue side, federal revenues generated through the TMA ranged from a low of $3.5 million in 1989 to a high of $34 million in 1995 (average revenue was $18 million). The net cost of the tobacco program to taxpayers, then, averaged $26 million/year, with a range of $15 million in 1990 to $43 million in 1993.

Tobacco is not an unusual agricultural commodity with respect to receiving government assistance. Through price supports and subsidies, taxpayers subsidize cotton, wheat, rice, dairy, soybeans, peanuts, corn, and a variety of other commodities. With respect to crop insurance subsidies, dozens of other commodities receive this government benefit. Because of the no-net-cost feature of the tobacco program, taxpayer support of tobacco production is limited to administrative expenses and thus is several orders of magnitude less than taxpayer support of other commodities. For example, annual federal outlays for agricultural price and income support average $10 billion. [3] This fact has not allayed the concern of some health advocates. As Senator Durbin noted, "Tobacco is perfectly legal. But tobacco is also perfectly lethal. You have to eat a lot of corn and soybeans to die."[4]

Future Trends Affecting U.S. Tobacco Farmers

The future for most U.S. tobacco farmers is uncertain, considering projected demand for U.S tobacco, production costs, and selling prices, not to mention recent events surrounding talks of a tobacco settlement. Certain assumptions can be made:

1) Total demand for U.S. tobacco will not increase: On the domestic side, total demand for tobacco in the U.S. will probably continue to decrease rather than increase. Between 1975 and 1995, for example, U.S. per capita consumption of tobacco decreased by 60%. Internationally, tobacco companies are likely to continue to increase their presence in foreign markets and their use of foreign tobacco. Increased worldwide demand for tobacco benefits U.S. growers as there is a positive association between world demand for tobacco products and demand for unprocessed tobacco leaf grown by U.S. farmers. However, it is incorrect to assume that there is a strong positive association between world demand for tobacco and tobacco industry demand for U.S. grown tobacco.

Over the past decade, tobacco companies have substantially increased the proportion of foreign tobacco used in cigarettes. Along these lines, companies have established tobacco production and manufacturing capacity in over 70 foreign countries. [5] Between the 1950's and the 1990's, for example, the proportion of the world market of flue-cured tobacco comprised of U.S. tobacco dropped from 40% to 11%; for burley tobacco, the figures were 82% and 32%, respectively. [6] Similarly, U.S. tobacco comprises a smaller proportion of the global export market now than it did forty years ago. [6] Foreign countries have invested substantial resources in tobacco production to meet the unfortunate increase in worldwide demand. In Zimbabwe alone, land used for tobacco production is expected to increase over 17% between 1996 and 1997. [7] Regarding the potential of tobacco production in Africa, the CEO of Universal Leaf Tobacco Company, the largest leaf purchaser in the world, said (p. 22): "the greatest beneficiary of the growth in cigarette consumption could well be Africa, where there is vast acreage suitable for tobacco production and generally enough labor to support major production growth." [8]

The amount of imported tobacco used in cigarettes manufactured in the U.S. has increased from 2% to more than 33% over the past 25 years [9] and imports of foreign tobacco to the U.S. increased 80% between the mid-1980's and the mid-1990's (although exports of U.S. tobacco increased 102% during this same period). [1] The trend toward increased use of imported tobacco was abated briefly through a provision in the Omnibus Budget Reconciliation Act of 1993 that required cigarettes manufactured in the U.S. to contain at least 75% domestically grown tobacco (commonly referred to as the domestic content law). The domestic content law provided additional incentive for manufacturers to move their production operations offshore, where there were not restrictions on the use of U.S. grown tobacco. Effective January 1995, however, this provision was overturn due to inconsistencies with the General Agreement on Tariffs and Trade (GATT) and replaced by the Tariff-Rate Quota (TRQ).[10] The TRQ limits the quantity of imported tobacco used for consumption (except for tobacco from Canada, Mexico, and Israel) with stiff fines (350% ad valorem duty) for imports above quota levels. A key provision of GATT, however, provides tobacco companies with substantial freedom to import tobacco, with little penalty, well above quota levels, by allowing for the majority of the ad valorem duty to be refunded if the imported tobacco is used in cigarettes that are exported. Since the TRQ went into effect, imports of foreign tobacco have surged. In 1996, for example, imports of unmanufactured tobacco increased more than 64%, accounting for about 29% of the total stock of U.S. leaf as of January 1, 1997. [10] During the same period, the value of U.S. leaf and tobacco product exports declined, although the overall value of exports exceeded the value of imports by over $5 billion. [10] Thus, it is uncertain at best if expanding foreign markets for and exports of U.S. tobacco would allow U.S. tobacco growers to withstand other changes that might limit their production capacity in the U.S.

2) Costs for growers will not decrease: The costs to U.S. growers of producing a pound of tobacco are not likely to significantly decrease. In fact, over the past 20 years, the inflation-adjusted cost of producing tobacco for growers has increased nearly 200% while the proportion of the tobacco dollar that growers received has dropped. The inflation-adjusted farm value of burley and flue-cured tobacco has dropped from $3.8 billion in 1975 to $1.8 billion in 1996. The inflation-adjusted selling price of tobacco will also likely remain flat or continue to drop because world tobacco prices are substantially lower than U.S. tobacco. For instance, the inflation-adjusted price of tobacco received by farmers was 35% lower in 1993 than in the previous decade.

U.S. tobacco growers will thus experience increasing pressure to supplement their tobacco income with other on- and off-farm enterprises or to quit farming tobacco altogether. A recent survey of tobacco farmers in the Southeast found that 51% were "interested in trying other on-farm ventures to supplement tobacco income."[12] Moreover, the majority of tobacco farmers have already begun diversification and there are few farmers whose only source of income is tobacco. For example, between 1979 and 1991, on flue-cured tobacco farms, the percent of all farm sales comprised of tobacco dropped from 79% to 60%. Similarly, at the county level, there are relatively few counties, except for a handful in Kentucky, whose economic base is comprised primarily of tobacco. Ironically, media coverage of diversification issues has been rather minimal in the past few years.[13]

3) National tobacco settlement legislation would dramatically alter the tobacco program: A national tobacco settlement, if and when it occurs, will affect tobacco farmers and

the tobacco program. Money generated from a settlement will result in higher tobacco retail prices which will decrease domestic tobacco consumption beyond recent patterns. Ironically, in the original proposal between the state Attorney General's and the tobacco industry, tobacco farmers (along with retailers, wholesalers, and suppliers) received no mention.

In response to the proposed settlement, in May 1997, an advisory committee on tobacco policy and public health, chaired by Drs. C. Everett Koop and David Kessler, was formed. It was this public health group, not the tobacco industry, that advocated specific protection for tobacco farmers:

> Tobacco farmers and farm communities will be at severe economic risk should comprehensive tobacco control policies be enacted and take full effect. Most Americans consider the tobacco farmer as much an economic victim as perpetrator of tobacco-related disease, and support Federal government efforts to help farmers find other ways of making a living.... [An appointed high level panel should make] specific recommendations for short-term and long-term strategies for reducing the dependence of tobacco-growing states and communities on tobacco, including funding recommendations for providing short-term and long-term economic development assistance [and the] establishment of an 'economic assistance and development fund' funded by the tobacco companies and administered by the tobacco-growing groups that in the short term assists tobacco farmers and their communities to implement model and pilot programs for supplementing the production of tobacco with other on-farm activities as well as other alternatives and incentives to reduce the growing of tobacco.[11]

Since then, farmer organizations, sometimes in concert with public health groups, have become key players advocating for a settlement that will protect farmers and farm communities.

The historical and current forces impacting on the tobacco program are thus likely to substantially change the future for thousands of tobacco farmers and tobacco-dependent communities. While most settlement discussions now recognize that economic development funds and transition assistance are essential for the economic health of tobacco farmers and their communities, there is disagreement about the amount of such assistance and whether or not the tobacco price support program should be eliminated, phased out or revised.

Potential Effects of Sudden Elimination of the Tobacco Program

Health professionals and elected officials supportive of tobacco control policies usually oppose continued government support of the tobacco program. Even if there is little direct "subsidy" of tobacco farmers in the eyes of many, there nevertheless is a disconnect between government support of programs to limit tobacco use and government support of administrative expenses associated with tobacco production programs.[14] Moreover, the sudden elimination of the tobacco program is likely to have substantial effects, both expected and unexpected, on individual farmers, rural communities, and public health.

(1) <u>The retail price of tobacco would change very little</u>. Through price supports and associated limits on production, the tobacco program keeps domestic leaf tobacco prices at levels almost twice the world market price. In 1996, for example, U.S. farmers sold flue-cured tobacco at \$1.84/pound. In contrast, farmers in Zimbabwe (\$0.77/pound) and Brazil (\$0.93/pound) received much lower prices for high quality tobacco. Taking into account inflation, the price of U.S. tobacco has dropped over

Tobacco field at Duke Homestead, 1994 [taken by author]

20% in just the past 10 years. Without the tobacco program, there would be intense pressure on U.S. growers to sell their tobacco at a substantially lower price, despite the fact that U.S. growers still maintain an edge over most of their foreign competitors in the perceived quality of tobacco grown and the dependability of supply.

Thus, without the tobacco program, the price of unprocessed U.S. tobacco sold on the warehouse floor might drop 20-40%.[15, 16] As the price of raw tobacco comprises only about 2-3% of the retail price of cigarettes,[1, 14, 17] such a drop would only translate into a 1% decrease in the retail price of tobacco products (i.e., obtained by multiplying 3% by 20-40%). Such a decrease could, theoretically, lead to an increase in tobacco consumption, particularly among youth who are more price sensitive than adults. [18] It is likely, however, that any decrease in price would be more than offset by price increases implemented by tobacco companies or by higher tobacco excise taxes as a result of the settlement.

(2) <u>More tobacco would be grown by fewer tobacco farmers:</u> Since demand elasticity for U.S. tobacco in foreign markets is higher than domestic elasticity (perhaps around -2.5) [19], immediate elimination of the tobacco program and the resultant drop in the price of U.S. grown tobacco might increase the use of U.S. tobacco in international brands as U.S. tobacco would become more cost competitive relative to tobacco grown in other countries. Because of substantially lower profit margins, few small or medium-size tobacco farmers would be able to sustain their tobacco operations. Their loss could be larger growers' gain. Their operations would increase, and total U.S. production of tobacco could even increase.

(3) <u>The political influence of tobacco growers on health policy would decrease</u>. Tobacco growers have influence with politicians, especially those from states with a strong agricultural base. [20] The tobacco program, which the overwhelming majority of farmers support, keeps farmers and their organizations cohesive and coordinated politically around a relatively well-defined goal of maintaining the tobacco program and opposing all policies that would negatively affect tobacco production. This shared mission, combined with the fact that tobacco farmers, like other farmers, epitomize many of the core values that Americans hold — independence, strong work ethic, family values, commitment to community, and land ownership, results in a constituency

with influence and activity in the political arena. [12, 20, 21]

Because there is a long history of tobacco growers opposing most tobacco control measures, especially any increase in tobacco excise taxes, accelerated reductions in the number of farmers raising tobacco would almost certainly lead to less opposition to many tobacco control measures.

(4) <u>There would be a redistribution of resources from growers to manufacturers</u>. Without the tobacco program, the costs for unprocessed leaf tobacco would be lower, resulting in higher profits for the manufacturers. In 1995, U.S. farmers produced 1.268 billion pounds of tobacco. If the tobacco companies were able to purchase U.S. tobacco at 50 cents less per pound (for U.S. flue-cured tobacco, this would be from $1.84 to $1.34/pound in 1995 dollars resulting in a price that would still be over 40% higher than tobacco grown in Zimbabwe), the savings would exceed $600 million. In addition, it is unlikely that tobacco manufacturers would pass along to farmers savings accrued as a result of purchasing lower cost tobacco. For instance, from 1967 to 1991, the tobacco manufacturing share of the tobacco dollar increased from 19% to 53%, while the proportion of the tobacco user's dollar that went to growers dropped from 9% to 3%. [22] While an additional $600 million/year in operating revenues would have a negligible effect on the bottom line of most U.S. tobacco companies (in 1994, for example, Philip Morris had operating revenues of $29 billion and operating income of $6 billion), $600 million less per year for tobacco growers would almost certainly have a tangible and negative effect on the farmers and their communities.

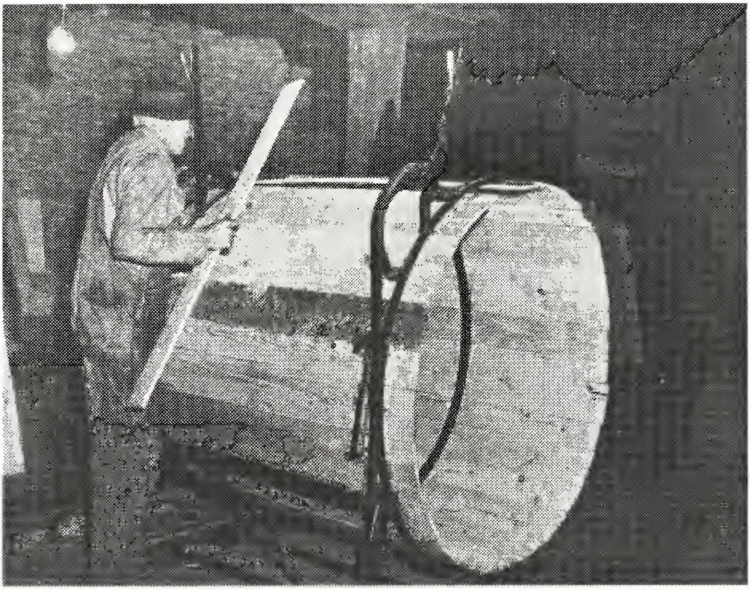
(5) <u>Elimination of the tobacco program without substantial economic development and assistance funds may diminish development of alternative on-farm enterprises</u>. In the absence of money made available to farmers through a national settlement, eliminating the tobacco program would impact on the pool of money available to farmers for the development of alternative on-farm enterprises. Over the past few decades, the face of North Carolina agriculture has changed dramatically. For example, tobacco income as a proportion of total farm income dropped from 60% in 1950 to 20% in 1992 [9], in large measure because tobacco farmers have used the profits they obtained from tobacco to experiment with alternative on-farm enterprises, some of which have been profitable. A 1995 survey of nearly 1,000 tobacco growers in the southeast found

that 53% had "discovered on-farm alternatives that were profitable," [12, 21] although without concentrated attention and resources on marketing and distribution, few of these alternatives are as profitable as tobacco. In addition, there is substantially less current risk with tobacco as compared to other agricultural commodities. With the tobacco program, farmers know the minimum price they will receive, who will buy their tobacco, when it will be bought, and how it will be distributed. With many non-tobacco commodities, estimating fixed costs and profits is much more difficult. With a substantial decline in the price of tobacco due to the elimination of the tobacco program, there would be less money available to most farmers to continue experiments with non-tobacco alternatives, unless substantial funds are simultaneously available for economic assistance.

Owning tobacco quota also makes it easier to obtain lender financing for other on-farm enterprises because such ownership of land increases the appraised value. Lenders like the stability and guaranteed income that the tobacco program provides growers year in and year out. In commenting on the role that the tobacco program plays in lending and the effect of eliminating the program, the CEO of Universal Leaf Tobacco Company said: "It is uncertain that bank financing would be readily available to farmers in the absence of quota and a stabilization mechanism. At the least it would appear that crop financing would be more expensive, due to additional risk, which would add costs to the process (p. 22)."[8]

Individuals who own tobacco quota generally have higher land values than individuals involved in other agricultural enterprises. Land with higher appraised value generates more significant county tax revenues and keeps tobacco farmland at a price that is more competitive with what real estate developers are willing to pay farmers to sell their land for commercial or residential development. Also, because of the value of tobacco, there is evidence that farm loans are easier to obtain when one has tobacco quota than when one does not. Thus, the tobacco program should be maintained in the short-term, or quota owners must be adequately compensated in a national settlement to provide those interested in diversification sufficient time and money to build other on-farm enterprises that can be profitable and sustainable in future years.

Alternatively, one could argue that a substantial decline in the price of tobacco from the immediate elimination of the tobacco


Man working on hogshead barrel [courtesy of North Carolina Collection]

program would increase the incentive for tobacco farmers to experiment with non-tobacco alternatives. Indeed, given that over the short-term, tobacco is more profitable than most other commodities, the current incentives are for farmers to anticipate a distant future in which they may have to supplement tobacco income with other enterprises, rather than contemplating an immediate change to pursuing non-tobacco enterprises. The present system could thus encourage tobacco farmers to continue growing tobacco rather than encouraging them to spend time and money developing other enterprises. This argument assumes that growers faced with immediate elimination of the tobacco program have the resources, both human and financial, to successfully navigate a rapid transition. Without substantial resources, the barriers involved in developing viable alternative enterprises are such that a large number of growers would not be able to make the transition successfully in the short term, e.g. because of insufficient venture capital, loans, grants, equipment, irrigation, refrigeration, transportation, marketing, etc.

The wild card, of course, is what happens with the tobacco settlement. Several proposals have been made that would compensate quota owners and renters (thereby making money potentially available for alternative enterprises). Some settlement proposals also propose setting aside money and other economic development resources for tobacco-dependent communities, with dollar amounts ranging from $13 to 28 billion over 25 years. If sufficient money is made available for producers, and if the programs for tobacco communities are effective, that may well be sufficient to fuel the development of alternative on-farm enterprises.

(6) Many tobacco growers and tobacco-dependent communities will experience socio-economic problems unless funds from a settlement are simultaneously available. Without the tobacco program, only very large growers would continue to make a living selling tobacco at substantially lower prices (say, below $1.30/pound). At present, it costs a North Carolina flue-cured tobacco grower over $1.00/pound to produce tobacco, a break even point that is still higher than current world prices for tobacco. If the price of U.S. tobacco dropped suddenly, even as little as 15-20%, most small and medium-sized growers would be forced to shift to other on-farm or off-farm enterprises, to sell their family farms, and/or to seek unemployment benefits. Larger growers might survive because of increased efficiency, economies of scale, and lower relative costs. Although small farmers could, theoretically, substantially increase the amount of tobacco they grow if there were no tobacco program (since the program limits their current production), it is unrealistic to expect that most small growers could increase production enough to compete because of the land, labor, capital, equipment, and technical expertise necessary for expansion. Also, tobacco companies might be more likely to contract with farmers who have a proven track record in producing larger amounts of tobacco, rather than taking risks on smaller farmers trying to expand. The sudden loss of thousands of small farmers, many of whom are highly dependent on tobacco, has a number of social, economic, cultural and health implications in highly dependent tobacco communities.

As discussed previously, the right to grow tobacco via the quota system brings economic security to those who own quota. For some, the quota is a retirement nest egg or dowry passed from generation to generation. As background, an acre of tobacco produces around 2,000 pounds of tobacco. Currently, flue-cured tobacco quota in North Carolina can be sold for about $2.50/pound. Thus, a grower who owns an acre of tobacco quota could sell it for about $5,000. For other quota owners, the quota provides important cash flow — tobacco quota of North Carolina flue-cured tobacco can be leased for about 35-45 cents/pound. Thus, a grower who rents an acre of tobacco quota could receive yearly income of about $700-900. By way of example, a 10 acre tobacco farmer could sell his quota for a lump sum of about $50,000, or lease it generating $7,000-9,000/year. The sudden elimination of the tobacco program, assuming no buyout of quota owners, would affect a substantial number of individuals dependent upon the income generated by leasing or selling their quota. Alternatively, in a tobacco settlement, several measures propose paying tobacco farmers who want to sell their quota $8/pound to compensate them for the erosion of value that would inevitably occur with the elimination of the program.

Another challenge facing displaced tobacco growers is that, in many rural tobacco communities, the off-farm manufacturing and service sectors are not very robust, and many farmers may not have sufficient background for working in an increasingly high technology economy. For example, only 10% of flue-cured growers have a college degree and 21% have not completed high school.[2] Out-migration of farmers' children to urban centers presents challenges to businesses considering establishing manufacturing or service facilities in tobacco communities. The sudden challenges associated with sustaining a robust off-farm economy to complement on-farm ventures should not be underestimated. While tobacco production has decreased substantially over the last several decades, it still accounts for 23% of farm sales in Kentucky, 15% in North Carolina, and 8% in Virginia.[9] More importantly, many southeastern communities, especially in Kentucky and North Carolina, are still highly dependent on tobacco. In North Carolina, for example, of the top 10 tobacco-dependent counties, nine have rates of poverty that exceed the state average.

Thus, unless there is a well-crafted and comprehensive plan implemented for rural economic development and farmer diversification, growers and quota owners in some heavily dependent tobacco counties would experience significant economic disruption with the sudden elimination of the tobacco program. This disruption would have negative economic, social, and health effects, and these communities would experience significant short-term increases in unemployment and the likely resultant effects (e.g., increased rates of family stress, substance abuse, violence, stress-related disorders). While there are relatively few, truly tobacco-dependent counties, particularly in a tobacco state such as North Carolina which has an increasingly diverse economy, changes have occurred over time, allowing most farmers the opportunity to find supplements or new enterprises. Any sudden changes in the program should be coupled with efforts to support rural communities adversely affected by these changes.

(7) Alliances Between growers and farm groups would diminish. Heretofore, agricultural interests and tobacco companies have formed a powerful lobby against public health. Despite recent evidence of weakening influence, the tobacco program has built a strong political constituency among farmers, quota owners, farm organizations, manufacturers, and southern-bloc politicians. Tobacco growers' influence in political arenas stems historically from their political advocacy through voting, participating in political campaigns, and direct contacts with their elected officials. [12, 21]

Until recently, there was little interaction between tobacco farmers and health professionals and substantial distrust between these groups. [23, 24] In the past three years, however, there have been noticeable increases in interactions between tobacco farmers, farm organizations, and public health constituencies. For example, in February 1996, over 75 church representatives, growers, grower organizations, and health groups attended a church-sponsored "Tobacco Dialogue" conference in Willow Springs, NC. Holding the conference in the neutral setting of a church located in a tobacco dependent community allowed participants to interact safely and calmly. In September of 1996, over 150 people from health and farm constituencies attended a three-day conference in Roanoke, Virginia to build bridges between diverse constituencies. The title of the conference, "Tobacco and Health: Both Sides of the Coin," reflected the organizers' interest in establishing dialogue between groups that heretofore had few occasions to interact face-to-face. In March 1997, over 50 people, many of whom represented top leadership in tobacco grower organizations, met with a diverse group of federal, state, and local health professionals to discuss their mutual interests. In May 1997, the top leadership of major Kentucky tobacco grower organizations met with a handful of health professionals to share ideas and to explore how they might work together.

More generally, The Robert Wood Johnson Foundation (RWJF), through its SmokeLess States program, has funded coalitions in Virginia and North Carolina to foster ongoing dialogue and program development among health and farmer interests. In response to some of these discussions, in June 1997, Concerned Friends for Tobacco, a pro-grower, grassroots advocacy group in Virginia noted in a publication (p. 1) that they "have been involved in round table discussions with health advocates {and have} approached these discussions with cautious optimism as an opportunity to present the grower's perspective with the hopes of reaching common ground and the promise to search for higher ground." [25] Later in this report (p. 2), they write: "To annihilate the American grower will not prevent <u>one cigarette</u> from being manufactured. Elimination of the American grower will only destroy the economic and social well-being of rural communities."

Although it is too early to identify policy advances that have occurred as a result of these interactions, most would agree that an alliance between health and agriculture interests could be a powerful voice in the policy arena, particularly considering that top lobbyists and leaders of health and agricultural organizations have been involved in such discussions. With the dismantling of the tobacco program, farmers who continue to grow tobacco may do so under contract with tobacco companies or other tobacco purchasing agents. It is unlikely that such farmers will pursue relationships with health groups and risk having no buyer for their tobacco. Thus, if the tobacco program is eliminated without the simultaneous enactment of a comprehensive tobacco settlement, relationships between farming and health groups will be diminished.

Policy Options that are Pro-Health and Pro-Tobacco Grower

As discussed in this article, U.S. tobacco farmers and the communities in which they live face an increasingly uncertain and tenuous future.[26] The tobacco program has played a critical role in keeping farm families on the land and in keeping land values high. Not surprisingly, over 90% of growers and quota owners want to maintain the tobacco program as is.[12] Yet, virtually all scenarios outlined above point to the necessity of assisting tobacco dependent communities in adjusting to a new political and economic landscape.

The economic problems experienced by individual communities, families, and individuals when an industry declines rapidly are painful and create a variety of societal costs. Our country's economic philosophy and the economic dynamism that results from this philosophy, however, at once reward economic success and punish economic stagnation. If we examine the temporary decline or restructuring of other U.S. industries (e.g., automobiles, steel) and the short-term chaos this decline caused, we see that out of the chaos sprang healthier industries producing superior products with more competitive pricing. The resilience and resurgencce of these industries, however, was facilitated in part by government programs (e.g., the Chrysler bailout of the 1970's). There are precedents, then, for help for tobacco farmers to adjust to a changing milieu.

The elimination of taxpayer support of all tobacco program administrative and other expenses would probably result in broader support for the program among a diverse array of constituencies, particularly health professionals. In fact, the North Carolina Farm Bureau supported Senator Durbin's failed effort in the summer of 1997 to eliminate crop insurance for tobacco farmers. This support of an influential Farm Bureau in the leading tobacco producing state illustrates that achieving true and complete no-net cost is possible.

Elimination of taxpayer support of the tobacco program,

Tobacco harvest [courtesy of North Carolina Collection] however, will not alter the fundamental changes affecting tobacco farmers in the coming decade. Instead, a comprehensive plan must prepare farmers for the time when the tobacco program is phased out or eliminated. Such a plan requires provision of short- and long-term economic development assistance, and should include programs that: (1) help growers market their commodities more effectively; (2) provide loans or grants to help growers re-equip or convert existing tobacco facilities and equipment, build new facilities, install irrigation systems and make other costly structural improvements that would increase the likelihood of profitability with other crops; (3) increase the level of funding for basic, applied, and market research on profitable supplements to tobacco; (4) develop education and training programs and economic development initiatives in support of off-farm enterprises, including incentives to attract agricultural and non-agricultural businesses to tobacco-dependent regions (e.g., food processing or packaging facilities, manufacturing plants, etc.); and (5) fund risk insurance programs that would reduce weather and market risk for farmers who are in the early phases of farm diversification.

Several viable options exist for raising the financial resources necessary to support such a program. One approach is to simply raise excise taxes on tobacco users and manufacturers and use part of the revenue generated to help tobacco farmers and tobacco-dependent communities build an infrastructure that

Tobacco harvest [courtesy of North Carolina Collection] could support alternative on- and off-farm enterprises. Such an excise tax increase would benefit growers and promote public health.[27, 28] At the state level, for example, the North Carolina Medical Society passed a resolution in 1993 calling on the North Carolina Legislature to increase the state excise tax from $0.05 to $1.00 per pack with 70% of the revenue raised returned to tobacco growers.[29] At the federal level, a tax proposal introduced in the Durbin Tobacco Tax Amendment of August 1994 included $6.5 billion over five years to help tobacco growers explore other on-farm alternatives. Likewise, the "Tobacco Health Tax and Agricultural Conversion Act of 1995," introduced by Representative Stark, provided substantial resources for "assisting farmers in converting from tobacco to other crops, and providing grants or loans to communities, and persons involved in the production or manufacture of tobacco or tobacco products, that are adversely affected by the tax increase." In May 1997, Senators Hatch (R-UT) and Kennedy (D-MA) introduced a bill to amend the Internal Revenue Code of 1986 by increasing the federal tobacco excise tax in order to offset Federal costs associated with child health insurance. Although this bill did not pass, in July 1997, Congress did pass a budget deficit package that raised the federal excise tax on tobacco by 15 cents, with revenues earmarked for children's health.

While these bills to earmark tobacco excise tax revenues were not introduced to benefit tobacco farmers, data suggest that there is public support, legislative support, and, under certain conditions, tobacco farmer support for earmarked excise tax increases to help farmers adjust to a new economic landscape.[20] In addition to raising new tax money, existing tobacco excise tax revenues could be redirected to help farmers. In the six primary tobacco growing states, for example, reallocating just 10% of the existing tobacco tax revenues to help tobacco farmers would generate over $25 million each year.

The Coalition for Smoking OR Health[30] argued that a substantial increase in the federal excise tax on cigarettes and/or other tobacco products, with earmarking for tobacco farmers, could benefit farmers. Indeed, if farmers received 10% of any new excise tax revenue, they would garner more than they would lose through decreased consumption. Given public support of cigarette excise tax increases[21, 31, 32] and of funding for farmers shifting from tobacco to other enterprises,[12, 28, 33] this policy alternative is not as far-fetched as it might seem on first glance and goes against the common perception among farmers that excise tax increases are not in their best interest.

Ironically, in 1994, former Representative Charlie Rose (D-NC) advocated utilizing an increase in tobacco excise taxes to phase out the tobacco price support program over a 10 year period by paying tobacco growers a lump sum of money. This money would have been used by growers to retire, diversify on- and off-farm operations, and/or to get equipped to compete in a world market in which the price of tobacco would be lower. Under Roses' plan, owners of tobacco quota would have been paid $7.50/pound (or about $16,000/acre) to compensate for lower tobacco prices that would occur in the absence of a price support program. For growers who did not own tobacco quota, Roses' plan would have ensured some stability by guaranteeing that the price/pound received (e.g., $2.00) and lease rates (e.g., 40 cents) remained stable over a 10 year phase-out period.

Another financing option is to substantially increase the tobacco marketing assessment that manufacturers pay, again with proceeds going back to tobacco farmers to assist in diversification efforts. The logic behind requiring manufacturers to pay a higher proportion of the tobacco bill was perhaps best made by Representative Charlie Rose (D-NC) in a 1994 speech in which he announced his support for a buyout of the tobacco price support program:

> "In the past 10 years, the wholesale price of cigarettes has gone up 72 cents per pack....During the same ten-year period the average farmer price support has dropped 12 cents per pound. Since 1980, the farm value of tobacco as a percentage of consumer expenditures for tobacco products has dropped from seven percent to less than three percent of the price of a pack of cigarettes. Through wholesale price hikes, manufacturers have reaped an additional $69 billion in profit; while farmers have suffered an accumulated loss of about $500 million and have seen steady declines in their quota....A fair question is, who has reaped the profits...?"

In essence, this policy option makes the case that since the profits reaped by tobacco companies have come at the expense of tobacco farmers, taxpayers, and of course, smokers, the tobacco companies should be "taxed" to recoup money for tobacco farmers and tobacco-dependent communities. This proposal is likely to be resisted strongly by tobacco manufacturers.

Finally, funds for diversification can clearly come from Congressional action as part of a tobacco settlement. The "Koop-Kessler" report supports funding for economic assistance for tobacco farmers, contributed directly by the tobacco companies. In September, 1997, President Clinton stated that protection for tobacco farmers and their communities was an essential part of his comprehensive settlement program. Similarly, in early 1998, Congressman Smith (R-OR), Chairman of the House Committee on Agriculture, stated that support for tobacco growers must be part of any tobacco settlement.

In October, 1997, Senator Ford and other tobacco-state lawmakers introduced a proposed $28 billion "Long Term Economic Assistance for Farmers (LEAF) Act", paid for through manufacturer payments under the proposed tobacco settlement. In January, 1998, North Carolina tobacco growers asked their Congressional delegation to support $7.8 billion tax-free compensation for tobacco quota owners under any pending national tobacco settlement, similar to a plan proposed by U.S. Sen. Richard Lugar (R-Ind). Senator Lugar's plan would, however, end the quota system entirely by giving farmers a buyout of $8 a pound. In comparison, Senator Ford's plan would continue the tobacco program.

Conclusion

Tobacco production and the tobacco program still effect hundreds of thousands of families in 21 U.S. states and on 124,000 farms. [16] However, pressure to eliminate or phase out the tobacco program will continue to escalate. In the spring of 1997, for example, the Senior Vice President of Universal Leaf Tobacco Company, the largest global leaf buyer, pointed out that because U.S. burley growers have not been able to meet their demands for tobacco since 1986, the tobacco program should be altered to allow for increased production and thus lowered costs. [34] More importantly, perhaps, it is difficult to conceive of most U.S. tobacco farmers continuing to prosper. [6, 35-38] The U.S. Department of Agriculture reduced the federal flue-cured tobacco quota for 1998 to 808 million (lbs), down 17% from last year's quota of 974 million (lbs). Tobacco companies will continue to move away from U.S. tobacco, and the incentives for purchasing foreign tobacco will remain in effect, whether the U.S. tobacco program exists or not. Eventually, there may be few economic incentives for the tobacco companies to purchase U.S. tobacco or even to manufacture cigarettes in the U.S.

A national tobacco settlement presents an ideal time for policy-makers to achieve sustained reductions in tobacco consumption while simultaneously assuring a new future for thousands of tobacco farmers and their communities. A settlement or similar policy measure which phases out the tobacco program over a 5-10 year time period, rather than a sudden demise, may afford tobacco growers and their communities the optimal way to redirect their considerable talents to alternative economies. The policy measure must also include substantial economic incentives for farmers and their communities, paid in part by increasing and redirecting tobacco excise taxes, increasing tobacco manufacturing assessments or otherwise extracting new resources from tobacco manufacturers. Such policies would balance the health, economic, and political concerns of tobacco farmers and those in public health.

Most health professionals would be happy if U.S. tobacco production and manufacturing no longer existed in this country, especially if this resulted in tobacco interests being less influential in the policy-making arena. Health professionals are beginning to recognize, however, that one can be pro-health and still support the individuals, families, and communities that have been historically dependent upon tobacco income.

Authors of a series of reports of the tobacco-growing region in Virginia have called for a comprehensive, four-pronged approach to help tobacco-dependent communities: (1) Provide advanced production technology for those tobacco growers who want to continue growing tobacco; (2) Provide growers interested in supplemental enterprises with sophisticated analyses of the possibilities; (3) Make capital available for entrepreneurs interested in building or expanding agricultural enterprises; and (4) Develop opportunities for off-farm employment for farm families interested in supplementing or replacing on-farm work and income.[39, 40] Similarly, in 1994 the Community Farm Alliance in Kentucky proposed a "Tobacco Regions Reinvestment Fund," funded by an earmarked tobacco excise tax, to help build a diverse and sustainable economic infrastructure in tobacco communities. As these recommendations illustrate, the most sensible approach to helping tobacco-dependent communities make the transition to new economies requires a multi-faceted approach.

Given this analysis, it is reasonable to ask: When will the floor finally drop out from under tobacco farmers, and how far will it drop? No one knows for sure, but by supporting a policy that encourages phase-out, rather than the rapid elimination, of the tobacco program, and with substantial incentives for growers, we believe that the public health community could help many family farmers begin the transition to other profitable enterprises either on- or off-farm, promote state and federal proposals to invest in rural economic development to help make this transition successful, and increase the pace at which diversification occurs. Such a policy would also ultimately promote public health, especially in tobacco dependent communities.

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Tobacco, An American Tradition

by Billy Yeargin

The great novelist William Faulkner once observed that history is not a "was" but an "is." He argued that contemporary society is a product of historic events and influences which have accompanied each generation into contemporary times. History is our constant companion, and it has a direct impact on our present and future. This is especially true when we reflect on the influences of tobacco in our American society.

English settlers, who arrived at present day Jamestown in 1607, suffered through five desperate years of "starving time" as they embarked on a third English attempt to establish a permanent colony on North American soil. Just as hope seemed lost again, John Rolfe, an adventurer and amateur agronomist experimented with a "scientific" method of producing native tobacco. He cleared a small plot of land, devised beds of soil, then buried fish and other dead materials beneath the beds and planted tobacco on top of the decaying matter. His method was successful, and in 1612 Rolfe exported 200 pounds of this tobacco to British merchants. The reception was overwhelming, and demand for Rolfe's tobacco exploded into a swelling commerce between Jamestown and Europe. Within 2 years, orders for Rolfe's tobacco increased to 2,000 pounds. Thus, the strength of tobacco demand and Rolfe's entrepreneurial insight had established the formula for history's greatest commercial, social and political society. Simultaneously, Rolfe had created on this continent, a premier domestic and foreign trade commodity of the upper South and adjacent areas for centuries to come.

From the seeds of tobacco commerce came the need for legislative and social organization. The first legislative body, The Virginia Assembly, was chartered, in part, to monitor and govern tobacco production and marketing by Virginia

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settlers. For obvious reasons, tobacco interests made up the primary leadership among the Assembly members. As trade became more intense and the domestic and immigrating population spread out in all directions along the James, Rappahannock and Potomac rivers, other colonies were formed and tobacco production accelerated. The growth spurred a new and unique class of aristocrats. Tobacco leaders such as William Byrd, Governor Argyll and other pillars of colonial strength developed a social aura that was unprecedented in the New World. The Tobacco Culture designed its own social, economic and political climate which served as a vehicle to promote sovereignty and solidarity in the colonies. Within a few decades of Rolfe's successful commercial venture, the tobacco colonies were firmly embedded and well sustained.

Public mandate established tobacco as the colonial rate of currency exchange until the French and Indian Wars of the mid 18th century. Most goods, services and taxes were paid in tobacco poundage. Preachers were paid, and even wives were purchased using tobacco pounds.

Patrick Henry of "give me liberty" fame initially rose to prominence as counsel in a court dispute in which he represented a Church pastor regarding the method of tobacco

Duke Tobacco Company, Durham, North Carolina, 1895
[courtesy of North Carolina Collection]

Street scene in tobacco warehouse, District of Louisvile, Kentucky, early 1900s [courtesy of North Carolina Collection]

payment he would receive for ministerial services. Washington, Jefferson and the majority of Virginia's colonial political leaders maintained their livelihoods as tobacco planters, farmers and merchants. Benjamin Franklin, while not a tobacco planter, used the value of tobacco as collateral for French loans to help underwrite the Revolutionary War. The colony of Delaware (named for Lord De La Ware) was chartered primarily to increase tobacco production along what is now the DELMARVA(Delaware/Maryland/Virginia) peninsular. Many universities, including Harvard and The College of William and Mary were founded on tobacco tax monies, mandated by colonial governing bodies. As population grew and spread out, churches were founded and sustained by newly settled tobacco producing communities. One major factor in our bid for independence from British rule was the freedom to maintain tobacco trade with countries of our choice and without having to abide by the laws of the British and having to share the profits with the United Kingdom. After our independence, tobacco became one cornerstone of assurance that the United States of America would hold a sovereign status. Even LaTrobe recognized this as he designed our new nations capital: He placed images of the "golden leaf" atop the columns within the capitol building.

Approaching the Civil War era, tobacco production continued as a major economic force along the eastern seaboard, from North Carolina to New York. Virginia remained the leader in tobacco production, but neighboring states were socially and economically sustained by tobacco. After the war, Washington Duke, a Confederate soldier, who had been imprisoned in Libby's Tobacco Warehouse in Richmond, was shipped by the Federal Army to New Bern, NC, and given freedom to return to his home in the piedmont community of Durham Station, NC. There Duke found his family's tobacco storage house had been pillaged by both Federal and Confederate soldiers as they awaited final surrender negotiations. Duke's dismay was short lived, however. Within a few weeks after the marauders left, he began receiving requests through the mail for more of his sweet tobacco. Duke, like John Rolfe 250 years earlier, realized the commercial potential. He hitched a mule to a wagon and peddled his tobacco up and down the North Carolina and Virginia border. In 10 years Washington Duke had established the largest tobacco manufacturing process in the southeast and was a millionaire. Duke's success created a demand for local raw materials. This had a natural and positive ripple effect. It led local farmers within reasonable reach of Durham Station to focus more and more on tobacco production. Tobacco warehouses sprang up in small towns and, in some cases, small towns sprang up around tobacco markets. This ignited a welcomed trend for an economy that was desperately trying to reconstruct itself after 4 years of horrendous devastation.

The tobacco society of the mid and late 19th century, driven in large part by an aggressive demand for milder and sweeter tobacco varieties, continued its steady geographic shift from Virginia into western and middle piedmont areas of North Carolina--in tobacco vernacular, the "Old" and "Middle" tobacco belts--and the coastal plains and southward into areas bordering South Carolina--the "Eastern" and "Border" belts--then into the "Georgia/Florida" belts. Social and economic influences of tobacco production, which were already well embedded in Tennessee, Kentucky and Ohio, moved further west into Louisiana, Missouri and even northward into Illinois and other northern and midwestern states and territories. However, the region along the Virginia/North Carolina border, eastward and southward to South Carolina, Georgia and Florida, more than anywhere else saw the dominance of tobacco.

By the beginning of the 20th century, domestic tobacco was on a solid and unfaltering upswing. International demand for the "ready made" cigarettes of Duke, R. J. Reynolds and other assembly line manufacturers brought new life into foreign markets and boosted demand for locally produced tobacco. This provided tobacco producing families the promise of a solid economic future. It also guaranteed a continued chain of tobacco producing generations who sustained the centuries old culture.

As 20th century prosperity began to falter under the economic slump of the depression, hope for tobacco farm families was legislated by Roosevelt's New Deal. A new and mutually beneficial tobacco program was devised by government, in conjunction with the people, that ensured farmers would receive a fair and equitable price for their goods. It was the forerunner of today's Loan Support and Control Program and meant that tobacco families along the back roads of many states could afford to carry on the same self-reliant cultural and economic life style of the past two, three, or sometimes as many as a dozen generations of their ancestors.

Today, the number of tobacco-producing families is diminishing at a rapid pace. Those who remain are increasingly influenced by cultural elements not known to their ancestors. We can, however, still turn to the remaining tobacco farm families for a glance at an atmosphere which once was calming, persistently optimistic, socially secure, and economically sound.

Tobacco's Deep U.S. Roots

by Clarence D. Bryant III

Tobacco farmers feel a little apprehensive about the tobacco situation because tobacco is our livelihood. I am C.D. Bryant, the chairman of the Concerned Friends for Tobacco. I have been a tobacco grower for 22 years. My entire family, from four generations back, have all made their living on tobacco. Tobacco farmers are very proud of the accomplishments they have made and their farm operation. Most people do not know how hard it is to work on a farm. American tobacco farmers hold their heads high because they are a part of the absolute best tobacco production in the world. Everyone in the world tries to follow our footsteps.

It is very difficult to pick up the newspaper or turn on the television and see our names being smeared and compared to a drug lord or dope pusher. We really take exception to this. We have families and communities, just like everyone else.

Tobacco production in Virginia dates back 385 years. Virginia tobacco was the staple that stabilized the economy in America with production spreading to every colony on the eastern seaboard. Throughout the years, tobacco established a very important economic base in the southeastern part of the United States. As the U.S. evolved into the 19th century, tobacco proved its ability to generate and sustain communities throughout the region. It was during the 1920s and '30s that marked volatilitycame to prevail, and around 1938, the tobacco growers, warehousemen, bankers, local businessmen, and the U.S. government entered discussions that led to the Tobacco Production Program. The program of price supports has been one of the most successful agriculture programs in the United States.

What does the tobacco program mean to growers and their communities? The key word is stability. Without the tobacco program there would be no stability and the economy would be in shambles. Many communities and their schools,

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community centers, hospitals, and churches were formed or financed by the tobacco economy. This economic base cannot be replaced. When I look at myself, I am able to make an annual projection on my farm operation and income for my banker. That is the degree to which the tobacco program provides stability. This stability is in turn infused into local businesses. Because I am stable, the money that I spend throughout the community can be counted on, year in and year out. Everything is so intertwined that a disruption would cause communities and farmers to suffer economically, possibly to bankruptcy.

The tobacco program is based on supply and demand. The program limits production for growers, and limiting production creates stability. With many other commodities, crops may bring in one price in 1996, and the farmer may make nothing in 1997, because of huge economic fluctuations. In contrast, the tobacco program is a stabilizer.

Are U.S. tobacco prices high? From a tobacco farmer's perspective, we cannot grow tobacco any cheaper. In the world market, there are laborers that are paid little, thus allowing their tobacco prices to be cheaper. Farmers in the United States do not want this option. In addition, U.S. tobacco growers have built in cost factors such as adverse wages set by a Federal Committe annually, workers compensation, unemploment insurance, travel and subsistence expenses for any migrant labor, cost assessed per pound of tobacco sold to maintain the no-net cost tobacco program and fees collected to pay government graders to determine, the quality of leaf that I as a grower place in the U.S. market. Then there is the elected cost of tobaccco quota whether purchased or rented which is part of the tobacco program.

U.S. tobacco farmers feel that because we grow the best tobacco in the world, we can ask a higher price. United States tobacco has more flavor and is more desirable to the industry. Farmers are able to vote on the tobacco program every three years. If it is a program that we do not want and the majority rules, the program will be voted out by the growers. This will never happen because we want the stability.

The tobacco program provides support not only for farmers but for others who rely on the financial support of the program. For example, there are two elderly ladies whom I

Tobacco farmer's truck, Oxford, North Carolina, 1997 rent quota from. These elderly ladies live a very modest life. They absolutely depend on this quota as part of their retirement. They get a small social security check; their husbands are deceased.

Killing the tobacco program and stopping tobacco farmers in the United States from growing tobacco is not going to stop tobacco from being planted overseas. The planting of that tobacco will increase in Brazil, Zimbabwe, Argentina, and many different countries to compensate for any US decrease in tobacco production.

Last, Government officials cannot stop personal choice. If people want to smoke they will continue to do so. Killing the tobacco industry will only allow more tobacco to be grown and processed overseas. If people stop smoking and tobacco farmers must get out of the business, we can accept that. Eventually, larger tobacco growers will buy quota from farmers who cannot sustain themselves. The result will be fewer growers and less tobacco grown but larger farms.

The future of the U.S. Tobacco grower is uncertain. I see myself and the local communities as a victim of all the political correctness debate that has surfaced. The deep roots that tobacco has in the U.S. cannot be replaced due to the economic impact it would have on this country. My wish is that common sense will prevail and that an act of prohibition whether direct or indirect would not become a part of tobacco's history.