Fred Gale

Tobacco Communities Facing Change

Legislation designed to combat smoking could have important consequences for the many communities where tobacco is grown and processed. Tobacco's economic role has declined in most communities. The most vulnerable communities are those where tobacco production costs are high, farms are small, and where alternative crops and nonfarm opportunities are limited. Focusing development efforts on the most vulnerable communities could help blunt the economic effects of reduced tobacco use.

Declining tobacco use could mean important adjustments for the many communities where tobacco is grown. Tobacco plays an important economic role in these communities by keeping many small farms viable, providing income to retired farmers and others who rent out their tobacco quota, and by supporting local farm supply stores, machinery dealers, warehouses, and tobacco merchants. Residents of tobacco communities are concerned about how new and more stringent antismoking measures being considered by policymakers will affect their livelihoods. Additional uncertainty has been introduced by proposals to terminate the 60-year-old Federal Tobacco Program (see "Settlement Funds Could Be Use To Help Tobacco Communities").

Tobacco is grown in nearly 500 counties of the Southern United States, primarily in Kentucky, North and South Carolina, Virginia, Tennessee, parts of Georgia, Florida, West Virginia, Maryland, southern Indiana, Pennsylvania, and Ohio (fig. 1). At last count in 1997, there were nearly 90,000 tobacco farms, and in recent years their sales of tobacco leaf amounted to $2.5 billion to $3 billion per year. Tobacco provides an important source of farm income in a region where profitable alternatives are often unavailable.

This article discusses the likely economic effects of reduced tobacco use and proposed changes in the Federal tobacco program. The article then describes tobacco-growing communities, evaluates the economic importance of tobacco in those communities, and identifies the most vulnerable areas. The final section discusses how farmers and communities may adjust to tobacco's shrinking economic role.

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Reduced Consumption Could Have Important Regional Effects

Increases in cigarette excise taxes, price increases to cover industry settlement payments, increased regulation, and antismoking efforts are reducing demand for tobacco. Following a "global settlement" reached between State attorneys general and representatives of the tobacco industry in July 1997, Congress embarked on an effort to pass a comprehensive tobacco bill that eventually died in the Senate in June 1998. Four States settled individual lawsuits against the industry in 1998 and in November 1998, tobacco manufacturers reached a $206-billion settlement with the remaining 46 States. The November settlement was immediately followed by a 45-cent increase in wholesale cigarette prices. Two Federal excise tax increases are scheduled for years 2000 and 2002. A number of States are also increasing excise taxes, and additional increases in the Federal excise tax are being discussed. Additionally, regulation of tobacco by the Food and Drug Administration (FDA) is being contested in the court system.

U.S. consumers spend roughly $50 billion on tobacco products each year. Those dollars support an estimated 500,000 jobs directly, and many more in supporting industries, but only about 2 to 3 cents of each retail dollar spent on tobacco products goes to growers and their communities. The largest share of the tobacco dollar goes to manufacturing (38 cents), but wholesale, retail, and transportation (27 cents) and excise taxes (26 cents) also account for much larger shares than tobacco growing. Cigarette manufacturing workers are among the highest paid manufacturing workers, so the loss of these jobs could have significant impacts, primarily in medium-sized and smaller metro areas (Richmond, VA; Winston-Salem, NC; Louisville, KY; Macon, GA; and Concord, NC) where tobacco manufacturing and supporting activities are important components of the local economy. Wholesale, retail, and transportation jobs are spread throughout the country, mostly in urban areas. These businesses would also be affected, as tobacco is a profitable merchandise line with a high ratio of sales to square footage in retail stores. Small convenience food stores rely on tobacco products for about one-fifth of sales, while supermarkets, the largest single retail outlet for tobacco products, generate about 3 percent of their sales from tobacco products.

Nationally, reduced tobacco consumption would have little longrun net effect on the U.S. economy if reduced expenditures on tobacco products were made on other goods and services produced domestically. However, on a regional basis, tobacco-growing Southern States would lose income and employment, while other regions would gain. Areas where tobacco is grown may be the hardest hit because the land and human resources used in tobacco growing have few alternative uses that can provide income equivalent to that provided by tobacco. The anticipated decline in smoking resulting from comprehensive tobacco legislation could seriously hurt tobacco farmers and their communities by reducing the demand for tobacco leaf. Blake Brown of North Carolina State University analyzed the effects of a $1.50 increase in the per-pack tax on cigarettes. (Assessments against tobacco companies to settle lawsuits filed against them are expected to have an effect similar to an excise tax by raising cigarette prices by $1.00 to $1.50 per pack.) Brown predicts that a $1.50 excise tax would result in a long-term decline in tobacco sales of roughly 10-20 percent and a decline of over $500 million in annual farm revenues from tobacco if the current tobacco farm program is maintained. This would mean a smaller industry with fewer jobs and less income flowing to tobacco communities.

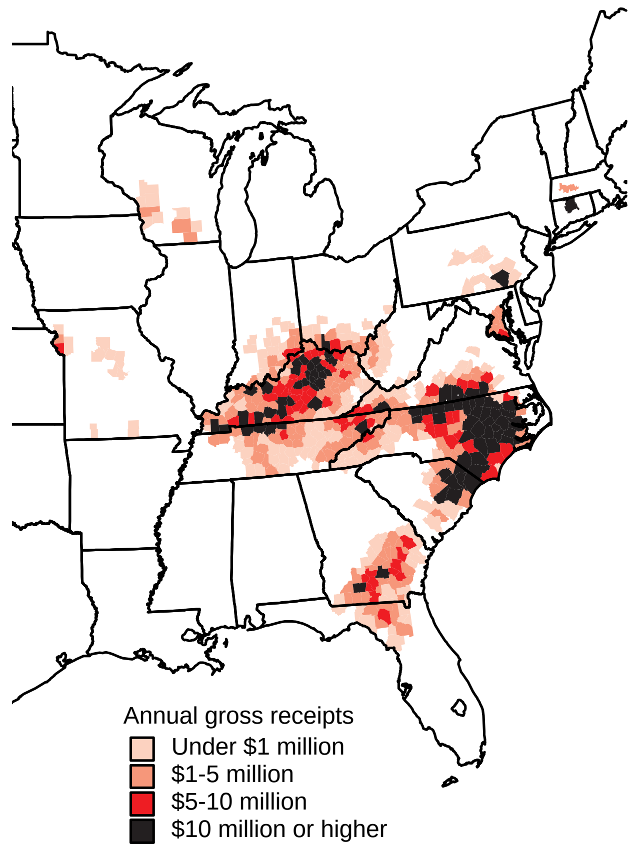
Senator Richard Lugar’s 1998 proposal to end the Federal tobacco program, providing farmers with a generous buyout, has received considerable support in Congress. Ending the program would likely have even greater effects on tobacco communities than antismoking legislation. If the tobacco program is eliminated, the industry would restructure as production would concentrate in low-cost regions, resulting in fewer, larger tobacco farms. By eliminating price supports, prices would fall closer to world market levels. Brown predicts that tobacco leaf prices would fall 20-30 percent in the long run if the price support system were eliminated in conjunction with a $1.50 excise tax increase. That would make U.S. tobacco much more competitive on world markets, but it would reduce the high returns now received by U.S. growers. Currently, quotas limit the amount that each grower can sell. Elimination of tobacco quotas would mean an increase in production as growers become free to market as much leaf as they choose.

Two major types of tobacco are used in making cigarettes. Flue-cured tobacco is grown in Virginia, the Carolinas, northern Florida, and southern Georgia, while burley is grown mostly in Kentucky and Tennessee. In Brown’s scenario, production of flue-cured tobacco would increase 40-50 percent with the removal of marketing quotas, while the change in burley production is uncertain. As U.S. tobacco becomes cheaper, manufacturers would substitute domestic for imported leaf (imports now account for about 40 percent of leaf used by manufacturers). U.S. tobacco leaf exports would also grow. Consequently, the United States may actually produce more tobacco without the tobacco program, but prices and net returns would be much lower. For flue-cured tobacco, gross revenues (sales) may increase slightly, as greater volume makes up for lower prices, while for burley tobacco, revenues would likely decline 20-30 percent.

Figure 1

Estimated annual average tobacco receipts, 1994-96

Tobacco growing was concentrated in several Southern States



Source: Calculated by ERS using USDA county production estimates.

There are about 120,000 farms that grow tobacco, but there are about 300,000 owners of tobacco quotas. Without the tobacco program, owners of tobacco quotas would lose the considerable income now derived from quotas. Growers who own quota can sell their tobacco at roughly 40-50 cents per pound above the variable costs (that is, excluding land and quota costs), a much larger margin than would exist in an unregulated market. Many owners of quota do not grow tobacco but rent their quota to growers. This is an important source of income for many, including

Settlement Funds Could Be Used To Help Tobacco Communities

In 1998, Congress considered a number of proposals for comprehensive tobacco legislation that would have increased cigarette prices, placed further restrictions on advertising tobacco products, allowed the Food and Drug Administration (FDA) to regulate nicotine, imposed sanctions on manufacturers for failing to reduce youth smoking, instituted other measures to prevent smoking, and compensated State and Federal governments for smoking-related health expenditures. There were also proposals to end, privatize, or eliminate the 60-year-old Federal tobacco program, a system of marketing quotas, acreage allotments, and price supports funded by assessments on producers. Proposals to end the program included provisions to buy out tobacco quotas. Comprehensive tobacco legislation failed to pass Congress in 1998 and seems unlikely now. However, additional tobacco excise taxes, FDA regulation of tobacco, and other measures are likely to be considered in future sessions of Congress.

When Congress failed to pass comprehensive tobacco legislation, tobacco manufacturers and State attorneys general arrived at a settlement that would not require congressional approval. Under terms of the November 1998 settlement, tobacco manufacturers will pay $206 billion over a 25-year period to compensate 46 States (4 States settled individually) for Medicare costs of treating sick smokers. Tobacco manufacturers will also pay into a 12-year $5.15-billion National Tobacco Community Trust Fund. Several States are considering earmarking a share of their settlement funds for tobacco growers and their communities. Virginia plans to set aside half of settlement funds for growers, and has established a commission to gather suggestions for distribution of the money. A North Carolina plan will put half of the State's settlement funds into a nonprofit corporation to help tobacco-dependent communities, and split the remaining half between farmers and other uses. Proposals were made in other tobacco States, but none had been adopted at the time this article was written.

retired growers and their family members. Therefore, proposals for ending the tobacco program also have included provisions for a buyout of tobacco quotas that would compensate quota owners for the loss of their asset.

Removal of tobacco quotas and acreage allotments would result in important regional shifts in tobacco production and a decline in the number of growers. The allocation of tobacco quotas across counties has been fixed for decades. Sale or lease of quota across county boundaries has been prohibited (except in Tennessee), thus preventing regional shifts and farm consolidation as comparative advantage has changed over the past several decades. In many counties, quotas are a valuable asset, but in some counties, quotas go unused. With deregulation, production would become more concentrated on fewer, larger farms in low-cost producing regions. Brown anticipates that flue-cured production would decline in the Piedmont of North Carolina and Virginia, but expand in the coastal plain of the Carolinas, southern Georgia, and northern Florida. Burley production would decline in high-cost Appalachian counties and expand in central Kentucky and Tennessee, although the North Carolina-Virginia Piedmont could gain some of that burley production. Areas outside the current tobacco-growing region in other parts of the South could begin producing tobacco if quotas are eliminated. Small operations, many of which consist of only a few acres, would no longer be viable with lower returns per acre. Producers who continue growing tobacco will seek to expand acreage to make up for lower per-acre returns and to spread the costs of mechanized equipment over more units of output. Without the current tobacco program, many producers and knowledgeable observers anticipate a tobacco industry where fewer, larger producers produce on contract for tobacco manufacturers.

Economic Importance of Tobacco

Tobacco has an important historical role in many Southern communities, but it has been overtaken by non-farm industry as the economic base in most local economies has expanded and grown. Income from tobacco farming has been stagnant for many years. Annual gross receipts from tobacco have fluctuated between $2 billion and $3 billion since the mid-1970's. After adjusting for inflation, tobacco receipts fell during the mid-1970's and early 1980's, but have changed little since the late 1980's (fig. 2). Trends in farm earnings for the tobacco-growing region reflect trends in tobacco sales. Over the same period, total personal income in tobacco-growing counties has more than doubled in real terms. Clearly, tobacco's share of the economy in these areas has declined considerably over the past two decades.

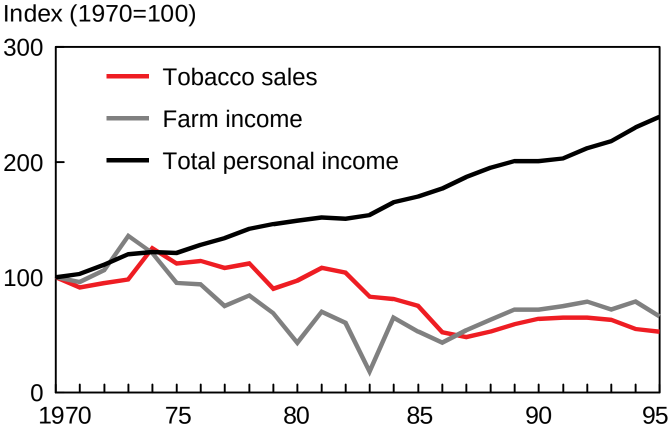
The share of income from all farming in tobacco counties fell steadily from about 5 percent in the early 1970's to less than 2 percent in the 1980's, where it has stayed until today. Based on 1993-95 data, only 27 tobacco counties would be classified as farm-dependent (farm earnings are 20 percent or more of total earnings). Earnings from all types of farming are less than 5 percent of total earnings in most tobacco counties. Since tobacco is only a fraction of farm income in these counties, even fewer counties would be considered "tobacco-dependent" if we could measure earnings from tobacco. Among farm-dependent tobacco counties, 1 (Robertson, KY) derives 70 percent of farm sales from tobacco, 4 derive 25-35 percent, and the remaining 22 counties draw less than 20 percent from tobacco.

In most tobacco counties, tobacco accounts for less than half of farm sales. Overall, the 1992 Census of Agriculture indicates that about 20 percent of farm sales in tobacco counties (including non-farm-dependent) are derived from tobacco sales. Tobacco's share of farm receipts exceeds 70 percent in a number of counties along the

Figure 2

Tobacco sales and income for tobacco counties, 1970-95

Tobacco and farming in general have declined in economic importance in the tobacco-growing region



Source: Calculated by ERS using data from USDA/NASS and Bureau of Economic Analysis for 491 counties with tobacco income.

North Carolina-Virginia border and in eastern Kentucky. Tobacco's share of farm earnings or net income is higher than its share of gross receipts, since tobacco is much more profitable than other crops and livestock. Nevertheless, these numbers indicate that few counties are highly dependent on tobacco income.

Some communities are more vulnerable than others to portentous changes in the tobacco industry. Mountainous and piedmont areas—where farms are small, farm expansion is difficult, profitable alternatives to tobacco are unavailable, and production costs are high—will likely lose tobacco farms, especially if the tobacco program is eliminated. These areas also have the fewest alternative economic opportunities and tend to rely the most on tobacco income. Low-cost producing areas, where expansion of acreage to take advantage of mechanized equipment is possible, are likely to see increased tobacco acreage and production if the tobacco program is eliminated, although per-acre returns would be much lower. In these areas, expanded tobacco production would largely take the place of other crops and the effect on overall income and employment would be uncertain. Many tobacco-growing communities are located near growing urban and suburban areas. In these areas, tobacco is a relatively small part of the economy and tobacco land has high value for residential and commercial development. Nonfarm employment and business opportunities are also abundant in these areas.

Counties in or adjacent to small metro areas (with population under 1 million) account for nearly three-fourths of estimated tobacco receipts (fig. 3). These metro areas are attached to medium-sized cities, such as Richmond-Petersburg, VA; Raleigh-Durham, NC; Winston-Salem, NC; Lexington and Louisville, KY; and Knoxville, TN. Nonfarm growth in these areas has generally been healthy in recent years. A number of smaller cities—such as Danville, VA; Rocky Mount, Greenville, and Goldsboro, NC; Florence, SC; and Hopkinsville, KY—lie in the heart of tobacco-growing areas. A large number of tobacco counties (153) are not adjacent to any metro area, but they account for only about one-fifth of tobacco receipts. Thirty-one tobacco counties, accounting for 4.7 percent of tobacco receipts, lie in or adjacent to large metro areas, including Cincinnati, Washington, DC, and Kansas City.

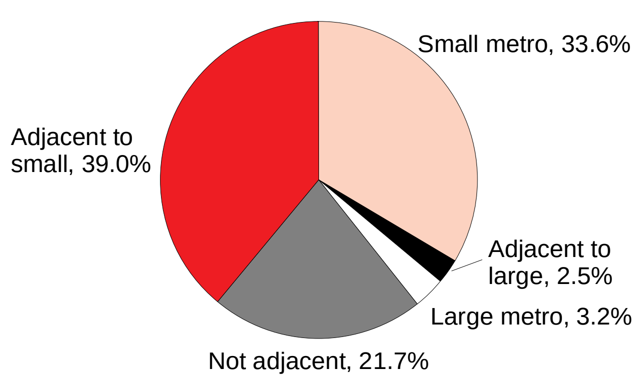
The Most Dependent Counties Are Most Vulnerable to Loss of Tobacco Dollars

It is difficult to measure the local economic importance of tobacco. There are no statistics that count the number of people employed in tobacco farming. Tobacco is a seasonal part-time enterprise for most farms that grow it. Most tobacco farms are too small to fully support a family without off-farm income. According to the 1997 Census of Agriculture, 65 percent of tobacco farms have gross sales under $20,000 per year. In most tobacco-farming families, tobacco dollars are an important supplement to other family income derived from a combination of off-farm work, other farm enterprises, and retirement income. Fifty-six percent of tobacco farmers work off farm, and 38 percent work full-time off-farm (at least 200 days per year). About one-fourth are at least 65 years old. The number of hired workers employed on tobacco farms is particularly difficult to estimate. Temporary workers (often migrants), family members, or local teenagers are hired for planting, cultivation, and harvest. Tobacco farms are the largest users of the Department of Labor's H-2A visa program that provides immigrant guestworkers for agriculture.

Figure 3

Share of tobacco receipts by county type, 1995

Most tobacco is grown in or near small metro areas with population under 1 million



Note: Small metro = metro area population under 1 million.
Source: Calculated by ERS using data from USDA/NASS and ERS urban influence codes.

Measuring Tobacco's Economic Importance

One way to characterize the importance of tobacco is by the ratio of gross tobacco sales to total personal income. Estimates of net tobacco income by county are unavailable, but gross income or sales of tobacco can be estimated from USDA's annual county-level production estimates. Gross sales overstate the amount of income received by farmers because a portion of those receipts must be used to pay expenses. Many of the physical inputs purchased with these expenditures (fertilizer, chemicals, fuel, vehicles, and machinery) are manufactured outside the tobacco-growing region, and consequently these expenditures have little economic impact locally, except for the margin earned by local equipment and farm supply dealers. However, inspection of cost-of-production budgets indicates that these are a relatively minor portion of total expenditures. An important share of the expenditures made by farmers stay within the local economy: payments to local hired labor, repair shops, warehouse fees, interest paid to local banks, and rental payments to owners of land or quota. While gross receipts overstate the income received by farmers, they may be the best estimate of the amount of tobacco income circulating within a local economy.

The total county income measure used here is Total Local Personal Income by place of work (TLPI). TLPI measures income actually earned in the county. It excludes transfer payments and dividends, interest, and rent, as well as income earned by residents who commute to jobs outside the county. Note that this ratio will usually be higher than the ratio of tobacco receipts to total personal income, which includes income earned at a job outside the county of residence (commuting to a job in another county), transfer payments, dividends, and rent.

Figure 4 shows one measure of tobacco's importance: the ratio of tobacco gross receipts to total county personal income (see "Measuring Tobacco's Economic Importance"). Over half of tobacco counties (263) have a tobacco-to-personal income ratio of less than 1 percent. Another 139 counties have ratios between 1 and 5 percent, 56 have ratios of 5-10 percent, and 33 counties have a ratio exceeding 10 percent. These ratios indicate that tobacco accounts for a small share of the economy in most tobacco-growing counties.

Most tobacco farms are in counties with low to moderate (tobacco income ratios of 1-9 percent) tobacco dependence. In 1992, the most dependent counties (ratios above 10 percent) contained only 21,000 of the 123,000 tobacco farms and accounted for only about 12 percent of tobacco receipts.

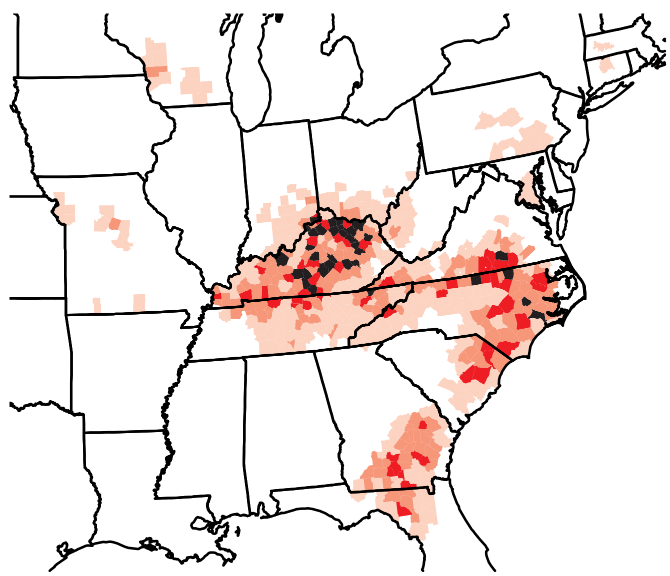
The biggest tobacco-growing areas are not the most reliant on tobacco income. Only a few of the leading tobacco counties in the coastal plain of the Carolinas and southern Virginia have high tobacco-income ratios. Of the 33 counties with tobacco-income ratios exceeding 10 percent, 26 are in Kentucky, and most had tobacco receipts under $10 million. Four counties with ratios over 10 percent are in North Carolina, while Virginia, Tennessee, and Indiana each have one. The degree of tobacco dependence appears to be determined by the extent of nonfarm opportunities available rather than the level of tobacco production.

Counties with the highest tobacco dependence have relatively few economic alternatives. Tobacco accounts for over half of farm receipts in the most tobacco-dependent counties, compared with only 13.6 percent in the least dependent counties (table 1). While the local economy as a whole may not be highly dependent on tobacco even in counties with the highest tobacco-income ratios, farmers themselves are highly dependent on tobacco in those counties.

Data from the 1990 Census of Population give further indications about the extent of economic opportunities available in various tobacco counties (table 1). In counties with tobacco-income ratios exceeding 10 percent, nearly half of employed residents commuted to jobs outside the county in 1990. The percentage of commuters is less than 25 percent in counties with a tobacco-income ratio under 1 percent. The high incidence of commuting out of the county suggests that relatively few jobs are available in counties with the highest tobacco dependence.

The relatively high percentage of persons receiving Social Security income (32.4 percent) in the most tobacco-dependent counties indicates a relatively old population.

Figure 4
Ratio of tobacco receipts to personal income, 1995
Counties with the greatest tobacco dependence are primarily in Kentucky



Tobacco income ratio
- Under 1 percent
- 1-5 percent
- 5-10 percent
- 10 percent or higher

Source: Calculated by ERS using USDA county production estimates.

Table 1

Economic characteristics of tobacco counties by degree of tobacco dependence

The relatively few counties with high dependence on tobacco have weaker prospects for developing nontobacco alternatives

	Tobacco-personal income ratio (percent)			
Characteristics	Less than 1	1-4	5-9	10 or over
	Number			
Counties	263	139	52	33
	Thousand			
Tobacco farms, 1992	26.8	48.9	23.5	20.7
	Percent			
Share of tobacco receipts, 1994-96	16.6	45.6	26.0	11.8
Tobacco as share of farm receipts, 1992	13.6	28.4	40.4	53.2
Residents commute to job outside county, 1990	24.3	28.0	40.0	47.3
Residents received Social Security income, 1990	25.9	29.4	30.9	32.4
Residents received public assistance, 1990	7.0	10.5	11.5	13.7
High school graduates, 1990	71.6	61.6	57.8	52.3
Unemployment rate, 1994-96	4.5	6.4	6.0	6.2
Employment growth, 1991-96	11.2	10.1	9.8	9.5
Income share by sector, 1995:				
Farming	.9	4.5	8.1	8.8
Mining	.6	.5	.1	.2
Construction	6.0	5.8	6.5	7.3
Manufacturing	23.8	28.4	31.9	26.9
Transportation, communication, and public utilities	6.2	4.9	4.1	5.3
Wholesale trade	5.5	4.0	3.6	2.8
Retail trade	10.2	10.9	10.0	11.0
Finance, insurance, real estate	5.1	3.1	2.6	3.4
Services	23.5	16.9	14.5	17.2
Government	16.9	18.6	16.6	25.8

Source: Compiled by ERS from 1990 Census of Population, 1992 Census of Agriculture, USDA/NASS, Bureau of Labor Statistics, and Bureau of Economic Analysis.

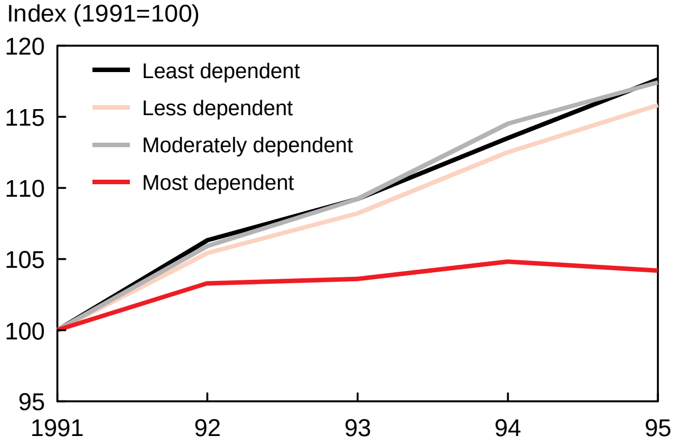
The percentage of residents receiving public assistance (13.7 percent) in the most dependent counties is nearly twice the percentage in the least dependent counties (7 percent). Unemployment is lowest and employment grew fastest in the least tobacco-dependent counties. Job growth has exceeded 9 percent even in the most tobacco-dependent counties, but a number of counties have lost jobs. The much lower percentage of high school graduates in the most dependent counties suggests that residents may have relatively few skills to prepare them for nonfarm jobs.

Economic conditions vary considerably across the tobacco-growing region. From 1994 to 1996, the national unemployment rate was generally 4-6 percent. Most tobacco counties had unemployment rates in this range or lower, including 145 counties with rates at 4 percent or lower. Unemployment is low in the growing urbanized areas of Raleigh / Durham / Chapel Hill and Greensboro / Winston-Salem / High Point, NC; Lexington, KY; Nashville and Knoxville, TN. Approximately 70 percent of tobacco farms are located in counties where unemployment rates are 6 percent or lower.

The tobacco-growing region has 142 counties with relatively high unemployment rates of 7 percent or more, including 43 counties with unemployment exceeding 10 percent. Unemployment remains high in eastern Kentucky and adjoining regions, and in many Appalachian counties, most notably in southwest Virginia, southside Virginia, northeastern and southeastern North Carolina, much of northeastern South Carolina, and parts of Georgia and Tennessee. These economically distressed regions are the most vulnerable to declining tobacco production since they offer fewer alternatives to tobacco. Relatively few farms are located in these counties. Based on the 1992 Census of Agriculture, about 24,000 (of 120,000) tobacco farms are in counties with unemployment of 7-10 percent, and only 11,000 are in counties with unemployment above 10 percent.

Finally, the relatively weak economic performance of the most tobacco-dependent counties is illustrated in figure 5. Real personal income in counties with tobacco-income ratios less than 10 percent grew at the healthy rate of 15-20 percent during 1991-95. However, real personal income in counties with tobacco-income ratios of 10 percent or higher grew very little after 1992. Weak growth in these most dependent counties means that adjustments to

Figure 5
County personal income growth by degree of tobacco dependence, 1991-95
The most tobacco-dependent counties had slow income growth



Note: Total local personal income, adjusted for inflation. Tobacco dependence based on ratio of gross tobacco receipts to personal income.
Source: Calculated by ERS using data from Bureau of Economic Analysis.

loss of tobacco income will be particularly difficult in those regions.

Preparing for Adjustments

Farmers and their communities will need assistance as they face a future where they may no longer be able to count on tobacco for their livelihood. Significant funds will be made available for assistance in several tobacco States as a result of the 1998 settlement between States and tobacco manufacturers (see "Settlement Funds Could Be Used To Help Tobacco Communities"). Farmers want to ensure that they, along with meaningful community input, govern decisionmaking about how such funds would be used. They envision that community development funds would be used primarily for agricultural development, although they recognize that some funds could be used for nonagricultural business development in communities with no viable agricultural alternatives to tobacco.

Farmers and extension workers have been searching for alternative crops for years with little success. The tendency now is to speak of supplements, rather than alternatives, because no crop or other enterprise can provide the high returns to so many farmers as tobacco does. Researchers are also seeking new uses for the tobacco plant. The search for alternative enterprises (such as aquaculture, organic vegetables, greenhouse crops, and equine development) has intensified as the future of tobacco has become increasingly uncertain. The focus has been on high-value crops and value-added activities that can provide high returns per acre. Most traditional row crops and livestock enterprises have low returns per acre that are not viable on tobacco farms, which often have only a few acres. Direct marketing and farm-based recreation—including pick-your-own, fee-based fishing and hunting, golf driving ranges, and other activities—may be a good option for tobacco farms on the fringes of fast-growing metropolitan areas.

Community development funds would be used for research and education on tobacco alternatives, technical assistance, loans and grants for new enterprise development, as well as nonagricultural business development. One of the most pressing needs that tobacco farmers anticipate is capital for new enterprises. While studies have generally found no shortage of capital for rural business development, farmers believe that rural bankers are generally unwilling to lend money for new, unfamiliar enterprises that they feel are too risky. Therefore, tobacco farmers believe that loans and grants for new enterprise development should be a key component of tobacco community development funds.

For poorer and more rural communities, development funds might be used effectively to upgrade local infrastructure: transportation, water and sewer infrastructure, and police and fire protection. For some communities, improving their attractiveness as business locations could help community development become more sustainable and longlasting. However, tobacco growers are wary of allowing funds to be used in this manner because they may be diverted to projects that will bring little or no benefit to farmers. Legislative proposals have also included funds for worker retraining programs and scholarships for tobacco workers and their family members at universities and technical colleges. Most tobacco farmers are at or near retirement age, so retraining for another job may not be feasible for them. Training the children of farmers may benefit individuals, but may have limited benefits for rural community development. When rural residents obtain more education, they tend to migrate to cities because rural communities have fewer jobs requiring higher education.

Conclusion

Changes in tobacco policy will have important economic impacts that will be concentrated on a relatively few geographic areas of the South. However, the Southern economy has been adjusting to a decline in tobacco for decades. Individuals will face painful adjustments to a restructured or deregulated tobacco industry, but most tobacco-growing areas are well-positioned to absorb the loss of tobacco income, because most tobacco is produced in or near growing urban areas. A closer look reveals that some counties are more vulnerable than others. Counties with the heaviest reliance on tobacco income are creating the fewest economic opportunities. Farmers are looking for technical and financial assistance in identifying and implementing new farm enterprises to supplement or replace tobacco.

For Further Reading. . .

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