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# Educational Programs to Address the Economic Adjustments Facing Tobacco Farmers and Rural Communities

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## ABSTRACT

This paper discusses the context within which educational programs tailored to tobacco producers and related rural communities have developed. Discussion is expanded by examining current program approaches employed by various organizations. Many of these organizations have a mutual stake in helping producers in tobacco communities develop their management capacity. A range of initiatives aimed at facilitating economic adjustment is compared, including the major issues addressed and expected outcomes. Many of the initiatives have made useful contributions; however, gaps and limitations remain. These are considered as future educational efforts and issues are discussed.

**Key Words:** educational programs, tobacco producers.

## The Need for Expanded Educational Programming—Some Background

The ebb and flow of demand for programs designed to aid tobacco producers in economic transition has been observed for many decades. The realities of a changing political and economic environment, however, cannot be ignored today and have profound effects on the nature of programs geared to help tobacco producers cope with change.

The realities of political change and increased uncertainty have been discussed by Brown *et al.* (1999). The potential effects of the elimination of the tobacco program, a large

increase in a federal excise tax on tobacco products, and the structural changes resulting from manufacturers settling litigations are difficult for tobacco producers to evaluate. They have no historical basis to project their long-run production or market environments. While tobacco has remained quite profitable for many, the increase in political uncertainty has again raised interest among producers and policymakers in tobacco-intensive communities in examining alternative enterprises to diversify or change income sources.

Ag Census data reveal that the number of tobacco farmers in the U.S. has dropped substantially since 1954, when there were 512,000 tobacco farms, to 124,000 in 1992. The 1997 census revealed even fewer farms. While farm numbers are on the decline, pro-

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duction has remained concentrated within a handful of states. Total production has remained relatively steady over this period due in large part to the production controls under the federal program.

Communities that have had the most difficult time coping with the concentration of production have been the rural communities that have historically been tobacco intensive. Many of these communities also have a limited tax base and often lower than average incomes. The core problem becomes one of rural economic development as these communities see farms shift away from tobacco. The next best farm opportunities after tobacco are not particularly attractive.

Farmers who continue to produce tobacco generally regard few alternatives to be as profitable as tobacco, particularly when adjustments are made for risk. A recent survey of tobacco producers throughout the South indicated that 78 percent of those growing flue-cured tobacco and 69 percent of those growing burley tobacco considered no other enterprise to be as profitable as tobacco (Altman *et al.*, 1996). This is not to say they regard diversification as unimportant. Many of the farmers surveyed indicated interest in trying other on-farm ventures to supplement their tobacco income, with considerably stronger interest expressed by the younger producers.

Farmers in this particular survey identified many barriers to diversification, with a majority of them indicating poor access to processing markets, lack of new venture capital, limited marketing and distribution for alternatives, and even lack of off-farm employment to be barriers to diversifying their tobacco income.

The educational level of many tobacco farmers is also an issue for developing overall management capacity. Altman *et al.* report elsewhere that 42 percent of the tobacco producers surveyed have at most a high school degree (Altman *et al.*, 1997). While they tend to be more politically active than the non-farm public, their education can limit the scope of opportunities available to them. This is not a phenomenon unique to tobacco producers *per se*. Such a challenge can be framed, again, as a rural economic development issue. Many of

the rural tobacco producers have limited access to advanced training opportunities.

Many of the rural economies that support tobacco farmers have limited additional resources upon which these farmers can draw. This is true for accessing vital unique production assets or technologies and access to markets that would make these producers competitive managing another enterprise.

Economists have long pointed to the importance of understanding economic systems. Programs such as IMPLAN, that measure certain multiplier effects of a commodity such as tobacco on a local economy, implicitly account for the transitive and amplifying nature of economic welfare corresponding to connected sectors.<sup>1</sup> Prospering tobacco farms have implications for the welfare of supporting agribusinesses and the entire local economic community. Investment in building the overall management capacity of tobacco farmers can be viewed as having returns that accumulate beyond the farm income statement. Indeed, a number of agribusinesses and community development organizations have joined in efforts to help tobacco producers better manage in a changing economic environment.

A strong sense of history, culture, and tradition is associated with the production of tobacco in the South. Many of the production skills, quota management systems, and labor sourcing have been fine-tuned within many of these tobacco communities. Community and family activities revolve around the intensive farm labor activities of transplanting, harvesting, and preparing for market and the marketing of tobacco that have been in place for generations. An understandable resistance to change is prevalent in many communities.

In summary, educational programs in the South that are designed to address the economic adjustments facing tobacco farmers and rural communities are initiated for a variety of reasons. Increased political uncertainty translates to increased economic uncertainty. As the relative merits (perceived and/or actual) of

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<sup>1</sup> See Goetz and Snell (1998) for an application of IMPLAN estimating the effects of tobacco on local economies in Kentucky.

tobacco production compared to certain alternatives are diminished, tobacco producers typically become more interested in new enterprises. Many communities that are tobacco intensive and have generally lower incomes and education levels have become high priority areas for focusing training. Training that makes better managers, leaders, and entrepreneurs out of tobacco producers benefits many, and many have expressed interest in supporting such efforts. However, the traditions and path-dependent nature of local tobacco economies along with the stock of commodity-specific skills accumulated by individual tobacco producers make the successful adoption of alternative enterprises difficult for many.<sup>2</sup>

### Current Educational Approaches

Many programs have been developed and administered for tobacco producers in the South in an effort to help them better manage changing economic conditions. Many agencies beyond the traditional Cooperative Extension Service and Land Grant Universities have been involved. Table 1 is a summary of a number of these programs, including program objectives, intended audience, issues driving the training or educational effort, actual or expected outcomes, and the agencies involved.

This list is not exhaustive. Rather it presents a cross section of activities that reveals the scope of efforts targeted toward tobacco producers. The major objectives include education in the areas of management, diversification, entrepreneurialism, leadership development, farm and business planning, market development, cooperation, transition, and capitalization.<sup>3</sup> Other objectives, such as the im-

proved sustainability of production practices and local community systems, and building synergistic networks between producers and other organizations with common interests are mentioned as well.

Several organizations have played a prominent role in leading much of the educational effort in cooperation with the Land Grant universities. Listing all organizations that have been in some way involved would be difficult but would include commodity and general agricultural organizations, state departments of agriculture, and rural development agencies. A few are mentioned here to illustrate the inter-agency cooperation that has typically been employed.

The Commodity Growers Cooperative is a subsidiary of the Burley Tobacco Growers Cooperative. This organization is specifically chartered to help tobacco farmers explore and develop markets for other enterprises. It has collaborated with the University of Kentucky to train county agents and producer teams in low-income, tobacco-intensive counties to develop feasibility studies and business plans for innovative on-farm enterprises. The intended outcome is the establishment of some innovative business ideas in these counties, but perhaps more important has been the production of trained county agents who are now connected to a larger business development network. Similar efforts have been piloted in Tennessee and North Carolina.

A variety of educational resources is being developed in conjunction with these efforts. Educational resources include planning workbooks,<sup>4</sup> training materials, computer programs and budgets, newsletters and specialty crop working groups, and enterprise production resources specifically geared toward tobacco farmers.

Several programs have emerged that in-

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<sup>2</sup> Douglass North (1990) provides an insightful discussion of the paths of history, institutional evolution, and economics. His conclusion is that history rames today's institutions and markets which, in turn, frame the choice set available to the decision maker today.

<sup>3</sup> The survey by Altman *et al.* indicated capitalization for exploring supplemental enterprises to tobacco was especially regarded as an issue by younger farmers, those under 45. Few low-interest loans or grants available (71%) and simply lack of capital available (67%) were noted to be key barriers for younger farmers. Older farmers, with perhaps more farm equity

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on which to draw, were less inclined to identify capitalization as a barrier, but also were less likely to have discovered or even pursued on-farm alternatives.

<sup>4</sup> The PRIMER workbook, for example, provides worksheets for farmers to systematically take stock of a new enterprises' profitability, resource requirements, information sources, market development needs, producer enthusiasm, and risk.

**Table 1.** Selected educational programs in the Southern region to address the economic adjustments facing tobacco farmers and rural communities

Program	Objectives	Audience	Issues	Outcomes	Agencies
Business Planning/Feasibility Studies	●To help commodity based farmers develop feasibility studies and market plans ●To train county agents to assist with feasibility studies and business plans	Smaller farmers and Extension agents in low-income, tobacco-intensive KY counties	Farmers often express good business ideas but need direction from agents regarding business plan development and networking	Business plan development Trained agents that can network into business development resources	University of KY Commodity Growers' Coop. Appalachian Regional Commission
PRIMER	To help farmers evaluate alternative enterprises based on Profitability, Resources, Information, Marketing, Enthusiasm, and Risk	Farmers and Extension agents	Development of simple tools to assist in enterprise evaluation and decision making.	●Agent in-service training ●Six single or multi-session county meetings with farmers	University of KY, Appalachian Regional Commission
(KLAES) KY Leadership for Agricultural and Environmental Sustainability	To improve the sustainability of Kentucky farm systems	Kentucky farmers, rural leaders, and Extension agents	Development of farmer directed sustainable, commodity based farming systems	14 groups participating in the project, with emphasis on all types of enterprises and issues	Community Farm Alliance, KY Farm Bureau, KY Dept of Agriculture, Center for Sustainable Systems, Kellogg Foundation
Philip Morris Agricultural Leadership Development Program	To develop agricultural and agribusiness leaders	8-10 selected groups of 30 young tobacco growers and agribusiness persons. One flue-cured group and one burley group.	Focus is on farm and agribusiness leadership issues with particular attention to policy issues.	A 2-year program with 11 multiday seminars, one domestic and one foreign trip	Philip Morris, land grant universities from NC, KY, TN, VA, SC, IN, MO, GA, and FL

Table 1. (Continued)

Program	Objectives	Audience	Issues	Outcomes	Agencies
TN Agricultural Development Center	To increase the value of TN economy through new, expanded and improved processing and marketing of agricultural, aquacultural, and forestry products, as well as home-based industries	New and existing producers, providers, and agribusiness industries	Focuses on the development of new economic opportunities, particularly in value-added enterprises, for farmers and rural communities	●10 producer initiated projects completed ●9 projects in progress ●6 consumer surveys conducted ●8 financial analyses executed	University of TN Extension Service, County Governments, TN Dept of Agriculture
TN MANAGE Program	To introduce farm families to computers for improving financial management	TN farm families	Many TN farm families face considerable financial stress and lack tools to help them manage.	Training on MANAGE and FINPACK to facilitate improved financial evaluation and planning. Workshops and site visits by county agents, area farm management specialists, and state specialists.	University of TN Extension Service, USDA, TN Dept of Agriculture, University of MN Center for Farm Financial Management
University of TN Vegetable Initiative	Assist current and potential vegetable producers in variety selection, production methods and marketing technologies, and marketing strategies	TN vegetable producers and tobacco farmers considering vegetable production	Need for assistance to establish vegetable producers as well as tobacco producers considering vegetable crops	●Multi-disciplinary approach to production & marketing issues ●publications, field days, farm demonstrations, market assistance	University of TN Institute of Agriculture

Table 1. (Continued)

Program	Objectives	Audience	Issues	Outcomes	Agencies
Southern Tobacco Communities Project (STCP)	To create constructive working relationships among tobacco producers, health advocates, and others concerned with changes facing tobacco producers	Tobacco producers, public health advocates, community development interests, legislators, and tobacco researchers in the six leading tobacco states	Need for education and action regarding tobacco-related policy, including community reinvestment programs, policies, ag development, and the tobacco settlement	<ul style="list-style-type: none"> <li>•Constructive dialogue between agricultural and public health interests</li> <li>•Joint development of <i>Core Principles</i> statement which has influenced tobacco policy efforts</li> <li>•Negotiation serves as facilitator. Involves interests in 6 states: GA, KY, NC, SC, TN, VA</li> <li>•Opportunities for health advocates and tobacco producers to share the complexity of each groups' situation and concerns</li> </ul>	Robert Wood Johnson Foundation, University of Virginia Institute for Quality Health, University of Virginia, Institute for Environmental Negotiation
STCP—State-level Tobacco Dialogue Groups	Each state level group applies similar objectives as described for the STCP to address their particular state's interests, procedures, and structures related to the future of tobacco production and consumption	State-level tobacco producers, public health advocates, community development interests, legislators, tobacco researchers	Need to establish state-level perspectives on tobacco-related policy, including community reinvestment programs & policies, ag development, and state handling of tobacco settlement issues & funding	<ul style="list-style-type: none"> <li>•Constructive dialogue between agricultural and health interests within a state</li> <li>•Joint development of program ideas to help tobacco producers transition to a new tobacco policy environment</li> <li>•Joint development of requests for handling settlement funds</li> </ul>	Robert Wood Johnson Foundation State; conveners include: KY—Coalition for Health and Ag Development, Inc. TN—Agricultural Policy Analysis Center SC—Strom Thurmond Institute, Clemson University

volve investment funds targeted to support the development of rural tobacco communities. The Rural Advancement Foundation International manages a tobacco community reinvestment fund for North Carolina. The objectives of the fund follow closely many of the educational objectives designed to help tobacco farmers manage economic adjustments. A quote from an unpublished prospectus follows:

*The purposes of the pilot Tobacco Communities Reinvestment Fund are to increase experience and success with supplemental farm income sources, cost-share the necessary research and development for new and expanded enterprises and to develop a broader base of support for these efforts. . . . It is piloted in target counties that have a large population of farmers and business people who depend on tobacco production for their primary income.* RAFI prospectus

A similar tobacco community reinvestment fund has been established in Kentucky. The Kentucky program is co-managed by the Commodity Growers Cooperative and the Kentucky Farm Bureau. While the specific funding amounts are relatively small, particularly with respect to the size of the tobacco economy, they emphasize producer cooperation, demonstrations, and expanded utilization of existing tobacco facilities and infrastructure.

The program in Kentucky has sought to link education and funding opportunities. Producers receiving funding would be required to attend a workshop on how to conduct a feasibility study and/or business plan. Many funding sources are available to producers with the ability to articulate a good business idea in a grant or loan application. Training producers to better organize a plan for a new business idea would appear to be one of the first steps toward addressing their concerns about capitalization constraints.

A number of educational programs are designed to improve tobacco producers' skills and abilities to influence, as well as increase their awareness of how they may be affected by various policy decisions. The Philip Morris Leadership Institute draws in leading tobacco growers from tobacco growing areas, provid-

ing the participants with seminars on various industry-related topics. Participants also tour Washington, D.C. and travel abroad to examine trade and international production and policy issues.

Trainers in these various programs have come from a wide variety of sources, including University extension and research specialists, industry leaders, small business development specialists, agency specialists, bankers, and others. Many of the programs have employed active learning techniques that involve peer instruction and teams, as well as demonstrations. Showcasing successes and ideas tried by peers can present a powerful argument for trying something different.

### Outcomes and Anticipated Results

The outcomes and anticipated results of the various programs mentioned vary, but generally they all seek to improve the decision-making skills of the tobacco farmer. Ideally, tobacco farmers will develop the management skills to evaluate on their own the opportunities presented to them. The opportunities available to them should also be expanded.

Planning and feasibility studies help the producer or producer group to fully map out the necessary resources and contingencies for a business idea before considerable resources are committed to it. Several training programs were designed to enable the producer to translate a good business idea into a good business plan. Conversely, less viable enterprise ideas would be halted at the concept stage before proceeding to the development stage if proper financial and market planning tools were employed.

A resource network that supports innovation is another desired product of these educational efforts. Many agencies that have targeted a clientele base apart from agriculture have developed valuable decision-making tools for other businesses that can be readily adapted to a new farm commodity or other on-farm venture. Management-focused educational programs from non-agricultural industries have applications for helping farmers under-



stand the importance of the function of management.

Cooperative development and other organizational innovations are also considered as possible outcomes of many of the educational programs offered. Gaining market power or buying power through cooperation is a logical venue for smaller-scale tobacco farmers. The challenges and costs of maintaining a cooperative are often underappreciated by many producers. Educational programs include considering a range of possible organizational structures for various group production or marketing initiatives.

Many of the legislated or litigated institutional changes pending or proposed in the tobacco industry have large sums of money associated with them. Considerable discussion has taken place and will continue to take place about how to disburse these funds. State, federal, and local politicians, along with farmer groups, health advocates, and economic development agencies all have a stake in the ultimate disbursement allocations. To whom and how these monies are allocated remains to be seen. Part of any monetary tobacco settlement will likely go to support expanding existing educational programs or developing completely new programs.

### **Training Gaps and Limitations**

The educational programs that have been made available to tobacco farmers have yielded some success stories and show promise for helping these farmers better manage in difficult times. There remain, however, unmet training needs and limitations that should be mentioned here.

A trend that is affecting all of production agriculture is the orientation away from commodity production and toward becoming more service-oriented. Many of the alternative enterprises under consideration by smaller-scale tobacco producers involve marketing and service skills. These are skills that many farmers are deficient in and that many extension specialists feel uncomfortable teaching.

The farmer-entrepreneur may be targeting a sensitive market niche that may not be con-

ducive to showcasing to other farmers. Proprietary information may be involved and producers may be reluctant to cooperate with others. Circumstances may exist where a farmer might better employ a private consultant rather than a university extension specialist to help develop an opportunity. Training in entrepreneurialism is foreign to most traditional extension programs. Business schools, however, are now offering certificates for such programs and are well positioned to reach out to a non-traditional student such as the farmer-entrepreneur.

A concern that would have to be addressed if a major policy shift significantly disrupted the viability of tobacco production for many would be the sheer numbers of farmers who would potentially need assistance. The needed educational effort appears inadequate even under current circumstances. Considerable resources and even greater coordination across tobacco producing regions would be required. A sudden collapse, such as that observed in the Hawaii sugar industry, would be disastrous to the rural tobacco-intensive communities. Educational efforts would do little in the short run to offset income loss effects.

Many tobacco farmers have found ways to diversify their income through both on- and off-farm income sources. Many new and alternative enterprises, however, require high levels of skill that likely will involve time to acquire. Some enterprises, like annual vegetables, can be more income volatile and management intensive than tobacco. The educational needs for these kinds of enterprises are even greater.

Education is a long-term investment. No one commodity will singularly replace tobacco. No one management workshop will transform all tobacco farmers into management experts. The best approach is to develop a system that will help these farmers employ the best tools they can in their management decision making.

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