



Burley Tobacco Policy & Economics

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**Tobacco Research
Program Report:
Tennessee Agricultural
Experiment Station**

July 1, 2002



Program Focus Areas

- Tobacco-related policies, programs, and legislation
- Tobacco economic situation and outlook
- Informational resource –website, publications, presentations
- Constructive dialogue
- Farm-level economic and financial analyses

Policies, Program & Legislation

- Tobacco quota buyout
- Tobacco settlement
 - Phase I (MSA) and Phase II
 - Tennessee and other states
- Ad hoc federal assistance
- Program changes (e.g. grading referendum)



Situation & Outlook

- Annual economic situation and outlook report for Tennessee and burley
- Annual ag sector economic report to the Governor
- Economic impacts of declining demand
- Tobacco production in Tennessee
- Tobacco trade

Informational Resource

- Extensive tobacco web site
 - Current tobacco issues
- Tobacco publications
- Tobacco presentations



Representative Tobacco Farms

- Greene County
 - 40 acres burley, 123 acres total
 - 30 head cow/calf
 - Owns 7,500 lbs quota, leases at \$0.55/lb
- Robertson County
 - 11 acres burley, 22 acres dark-fired, 560 acres total
 - 124 acres soybeans, 123 acres corn, 86 acres wheat
 - 90 head cow/calf
 - Owns 7,425 lbs burley quota, leases at \$0.60/lb
 - Owns 11 acres dark-fired quota, leases at \$1,600/acre



Representative Tobacco Farms

- Macon County (moderate)
 - 18 acres burley, 218 acres total
 - 40 head cow/calf
 - Owns 3,000 lbs quota, leases at \$0.65/lb
- Macon County (large)
 - 100 acres burley, 500 acres total
 - 75 head cow/calf
 - Owns 39,000 lbs quota, leases at \$0.63/lb



TNT218 – Baseline

- Expected yield is 2,300 lbs/acre (stochastic)
- 2002 average price received is \$2.03/lb, upward trend over period
- Receives projected Phase II payments
- Assume 20% debt load
- Average crop production costs are \$1.46/lb

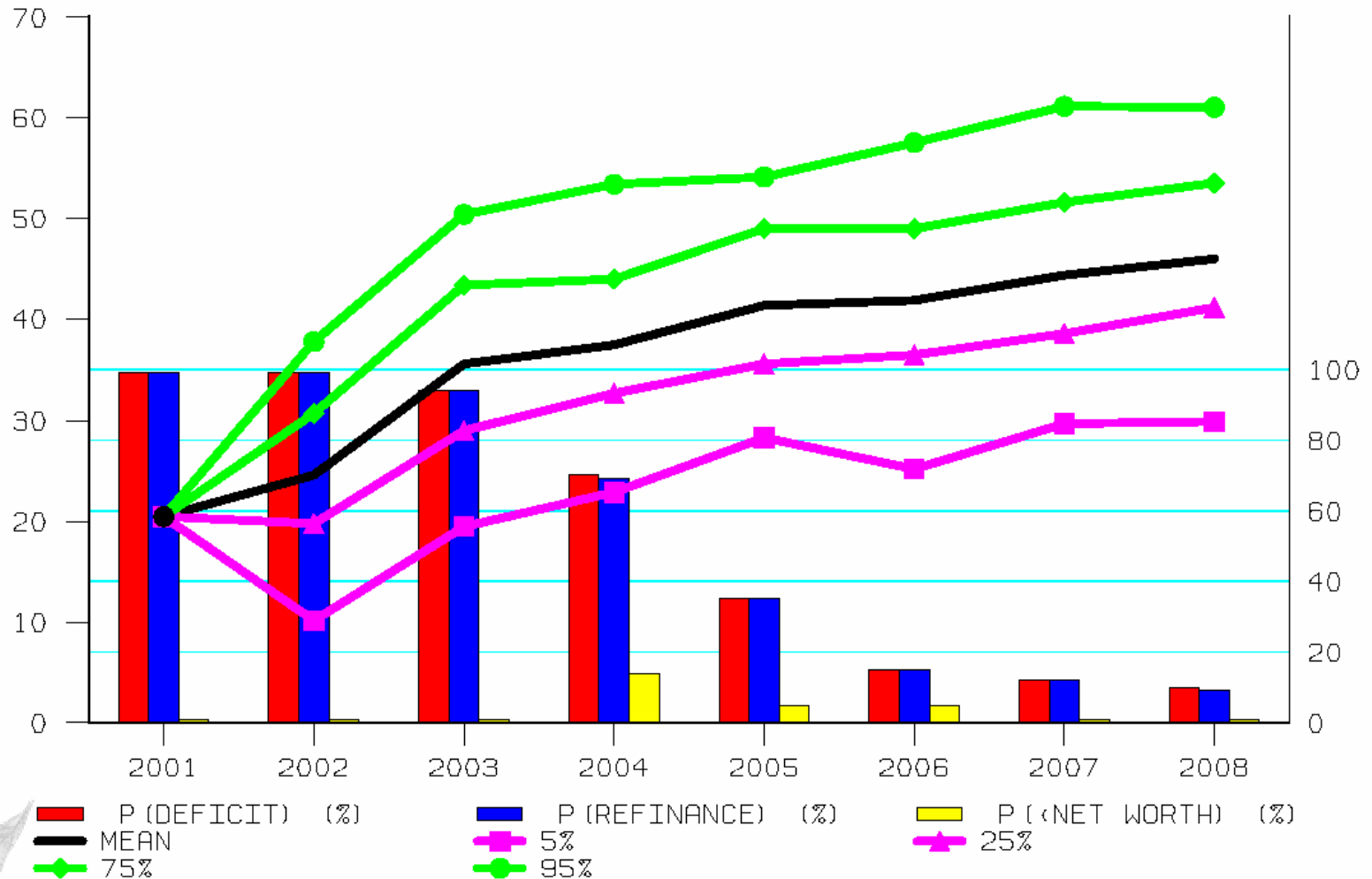


TNT218 – Baseline

NCFI

NET CASH FARM INCOME AND SELECTED PROBABILITIES
3TNT218 -- TENN. MODERATE TOBACCO FARM

(%)



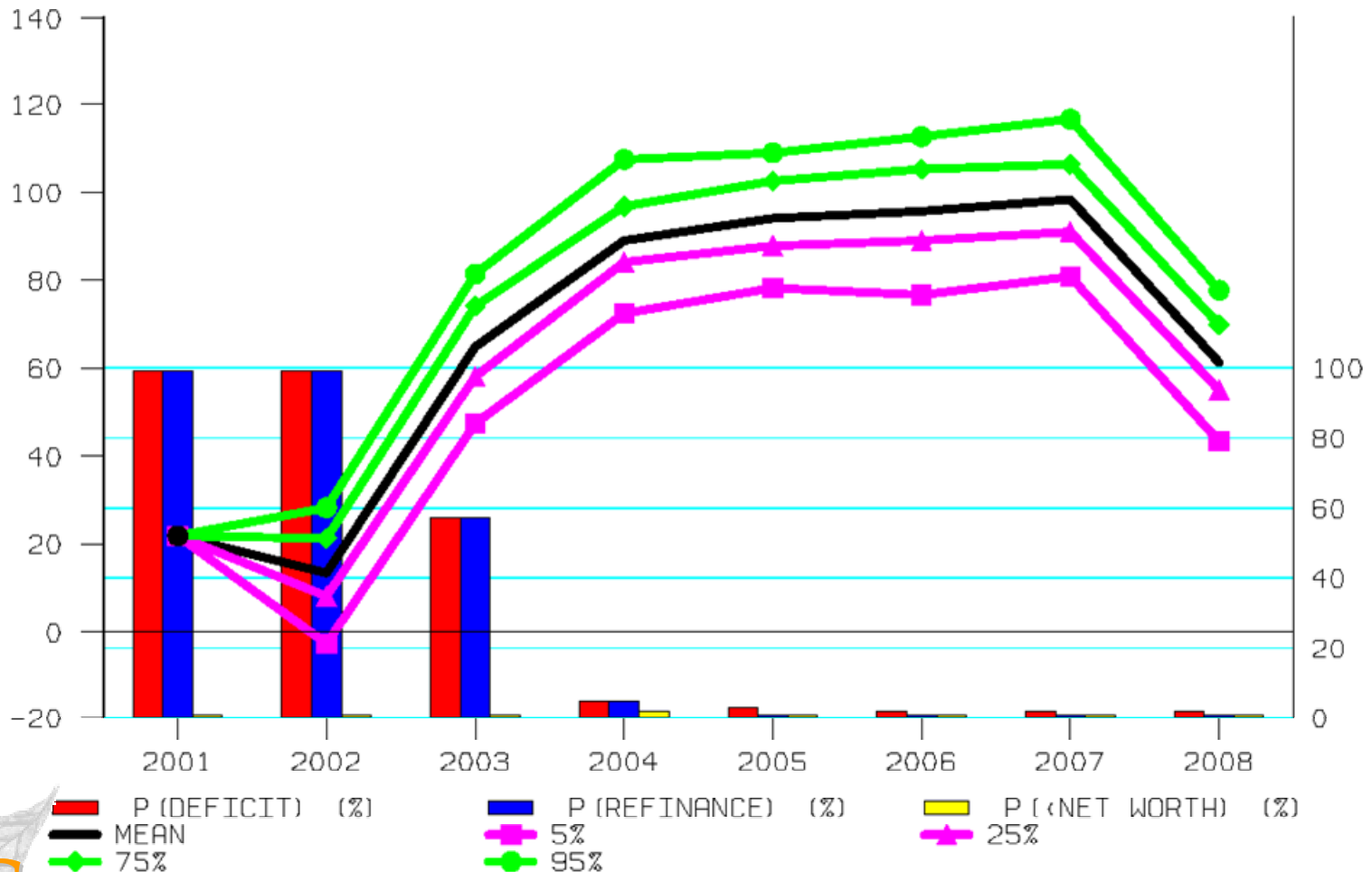
TNT218 – Buyout Scenario

- Paid \$8/lb for owned quota, based on 1998 basic quota
- Paid \$4/lb for quota grown, based on 1998 marketings
- Compensated in equal installments over 5 years, 2003-2007
- Phase II payments eliminated after 2002 (based on 2001 crop)
- Price reduced \$0.30/lb over trend beginning 2003



TNT218 – Buyout Scenario

NCFI NET CASH FARM INCOME AND SELECTED PROBABILITIES (%)
 1TNT218 -- TENN. MODERATE TOBACCO FARM



In Progress ...

- Representative farm analyses
- Economic input/output analysis of the impact that declining tobacco production has had on the state's economy
- Continue to monitor buyout progress and make information and analyses available
- WTO implications of tobacco programs and payments and buyout alternatives

www.agpolicy.org

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