

Impacts of Tobacco Program & Production Changes on Tennessee's Economy

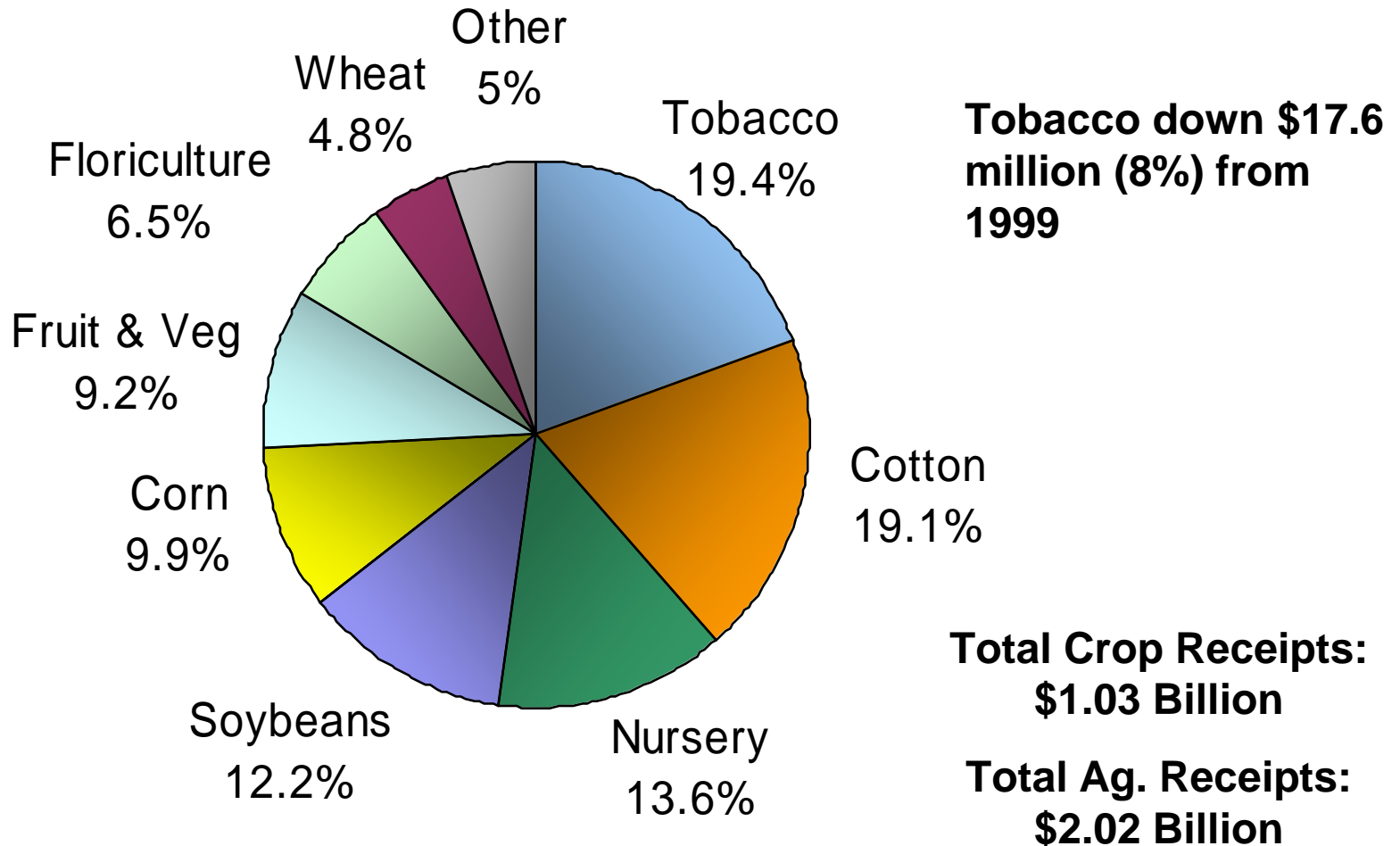
Kelly Tiller
Jamey Menard
Burt English

Southern Agricultural
Economics Association
Annual Meeting

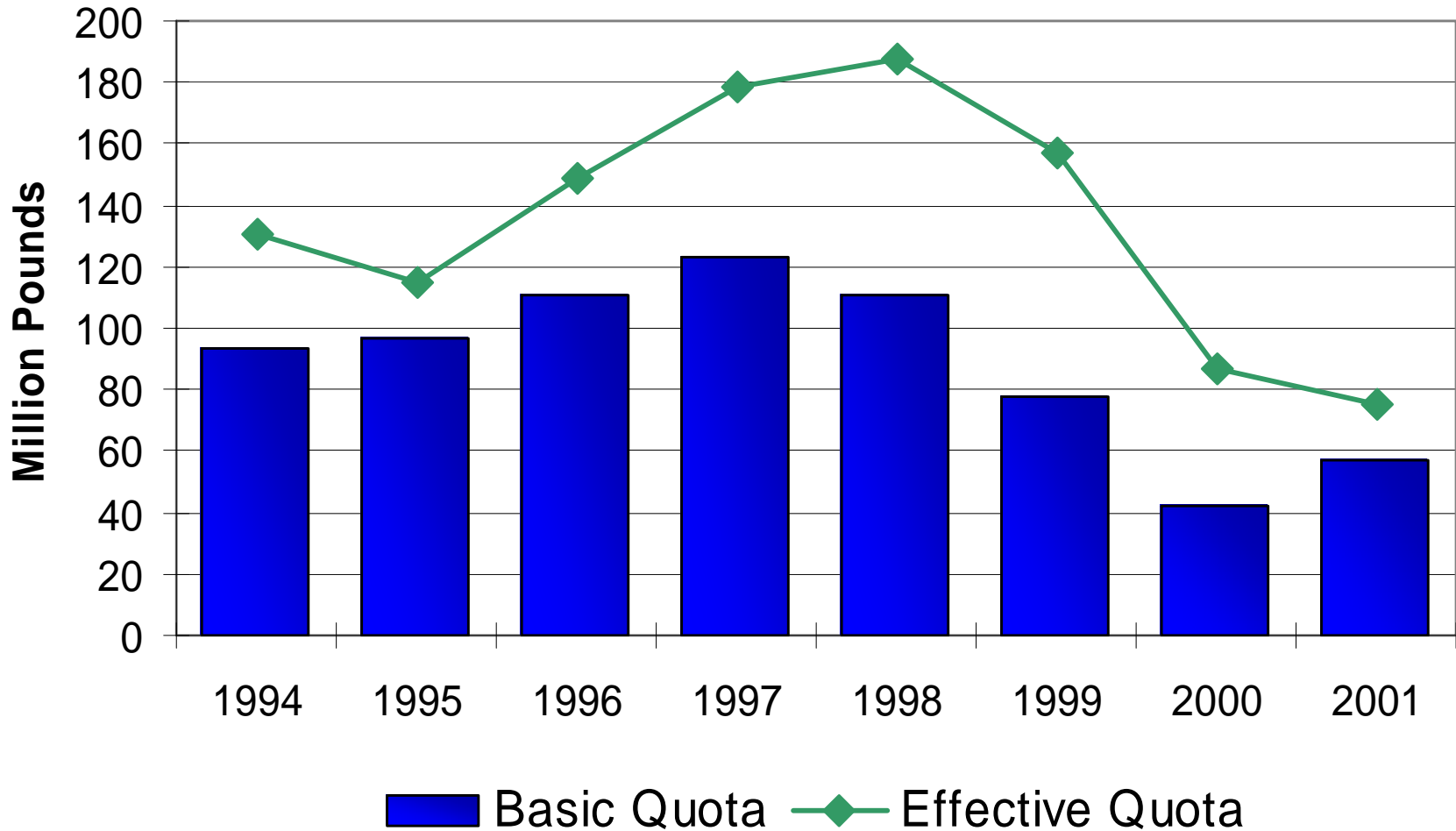
February 6, 2002



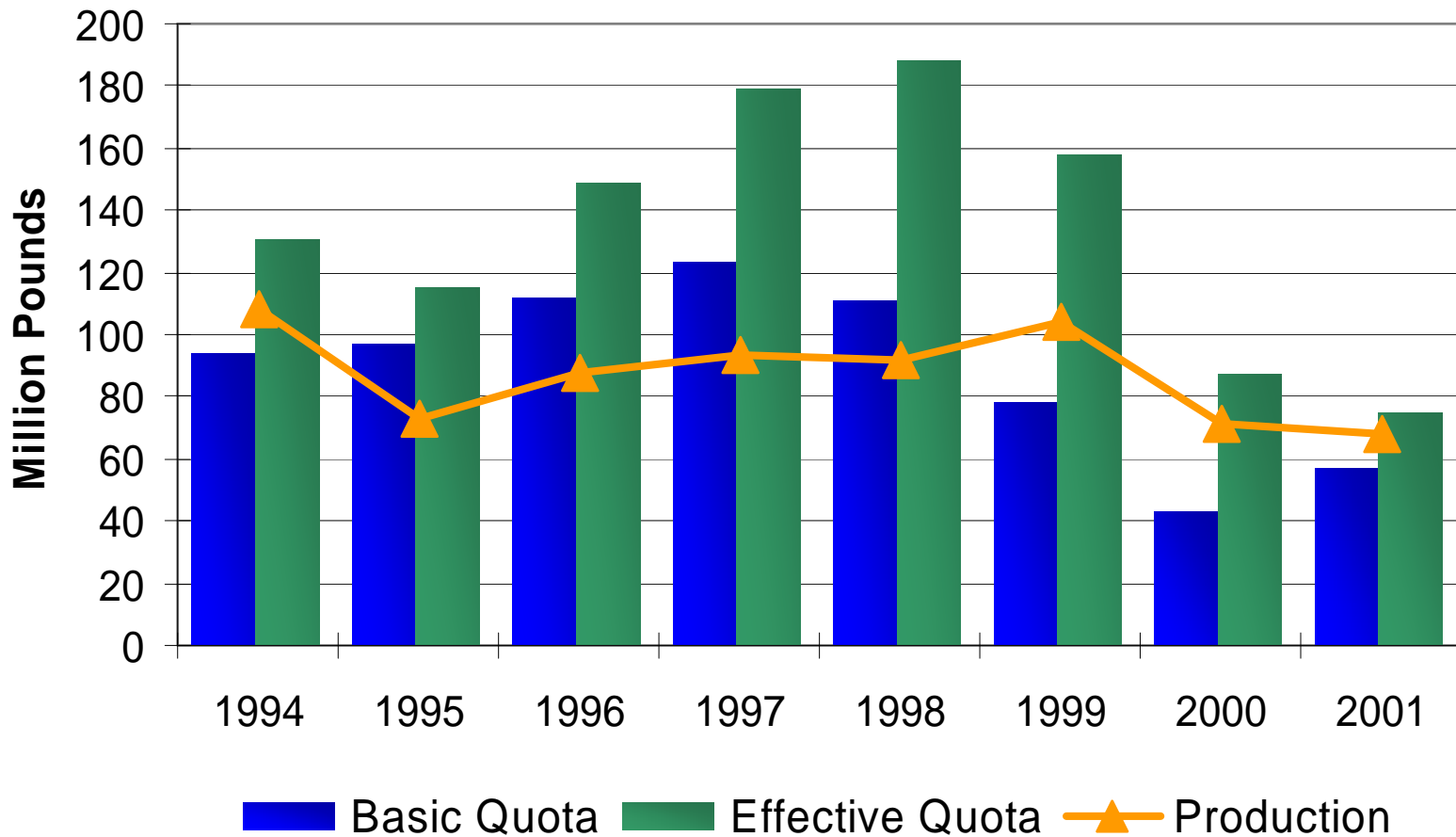
TN Crop Cash Receipts, 2000



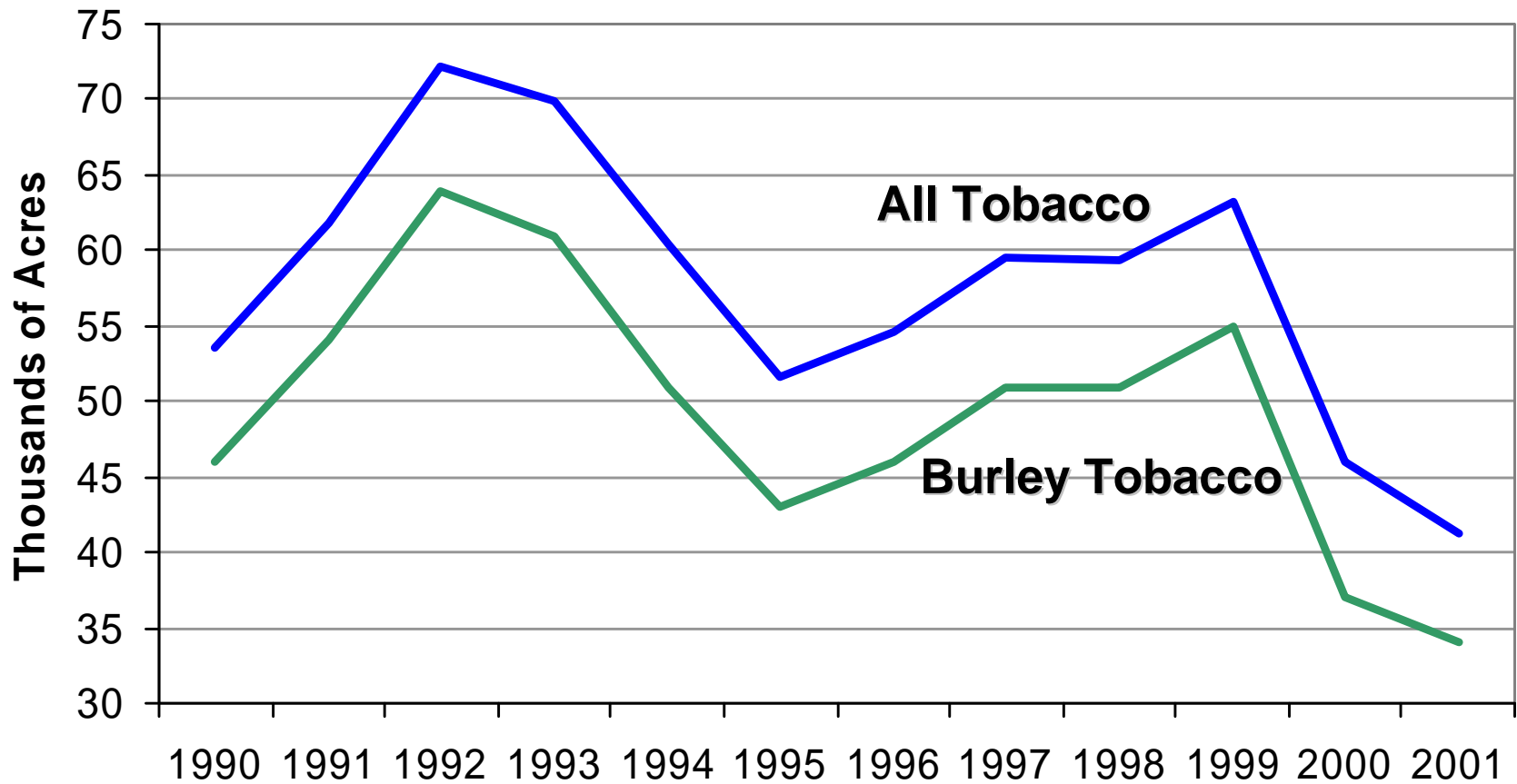
TN Burley Basic & Effective Quota



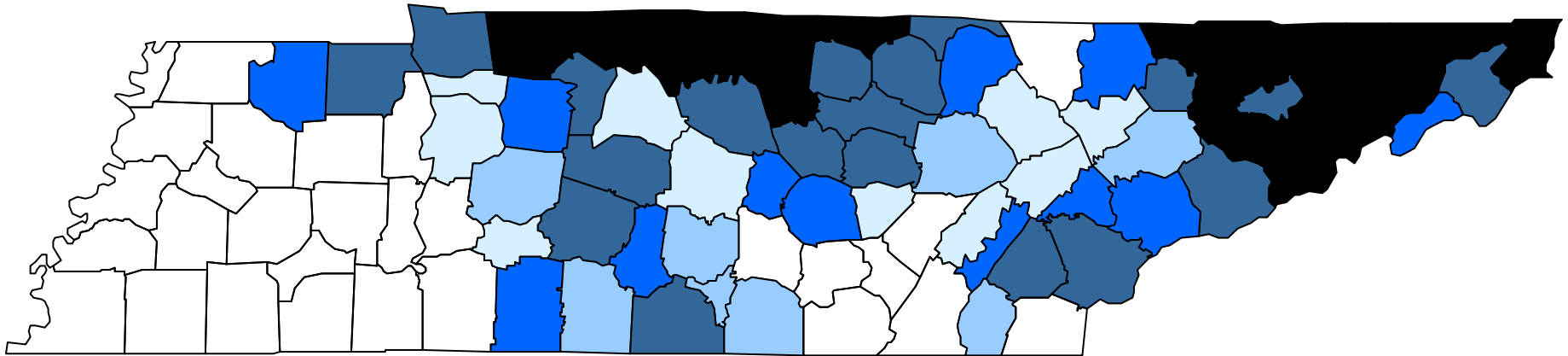
TN Burley Quota & Production



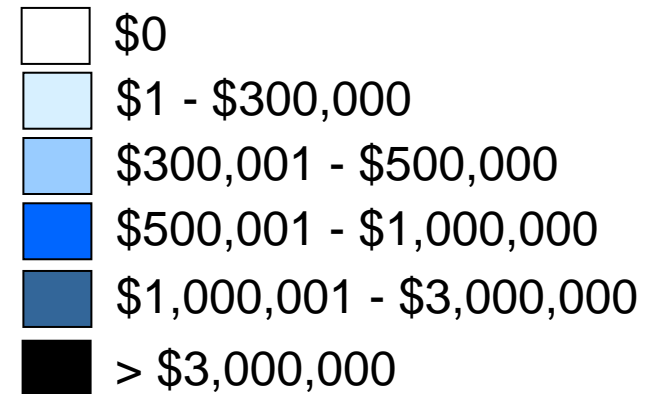
TN Harvested Tobacco Acreage



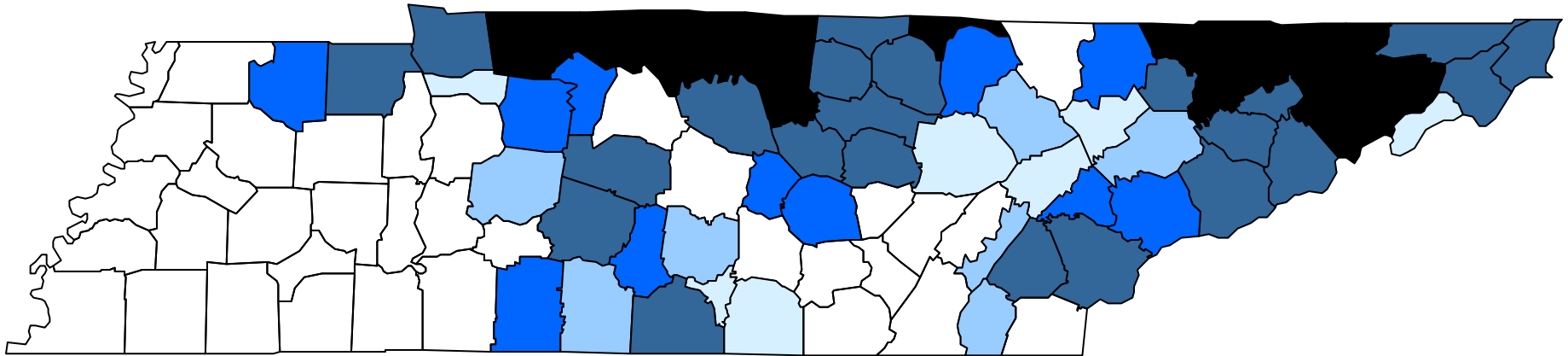
1997 Burley Value of Production



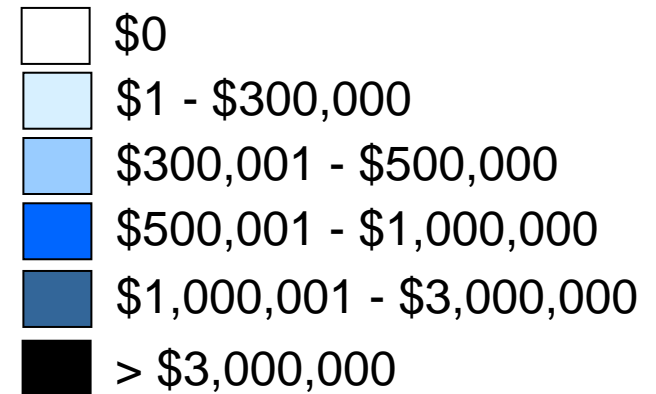
State Total = \$175,564,143



2000 Burley Value of Production



State Total = \$138,121,146

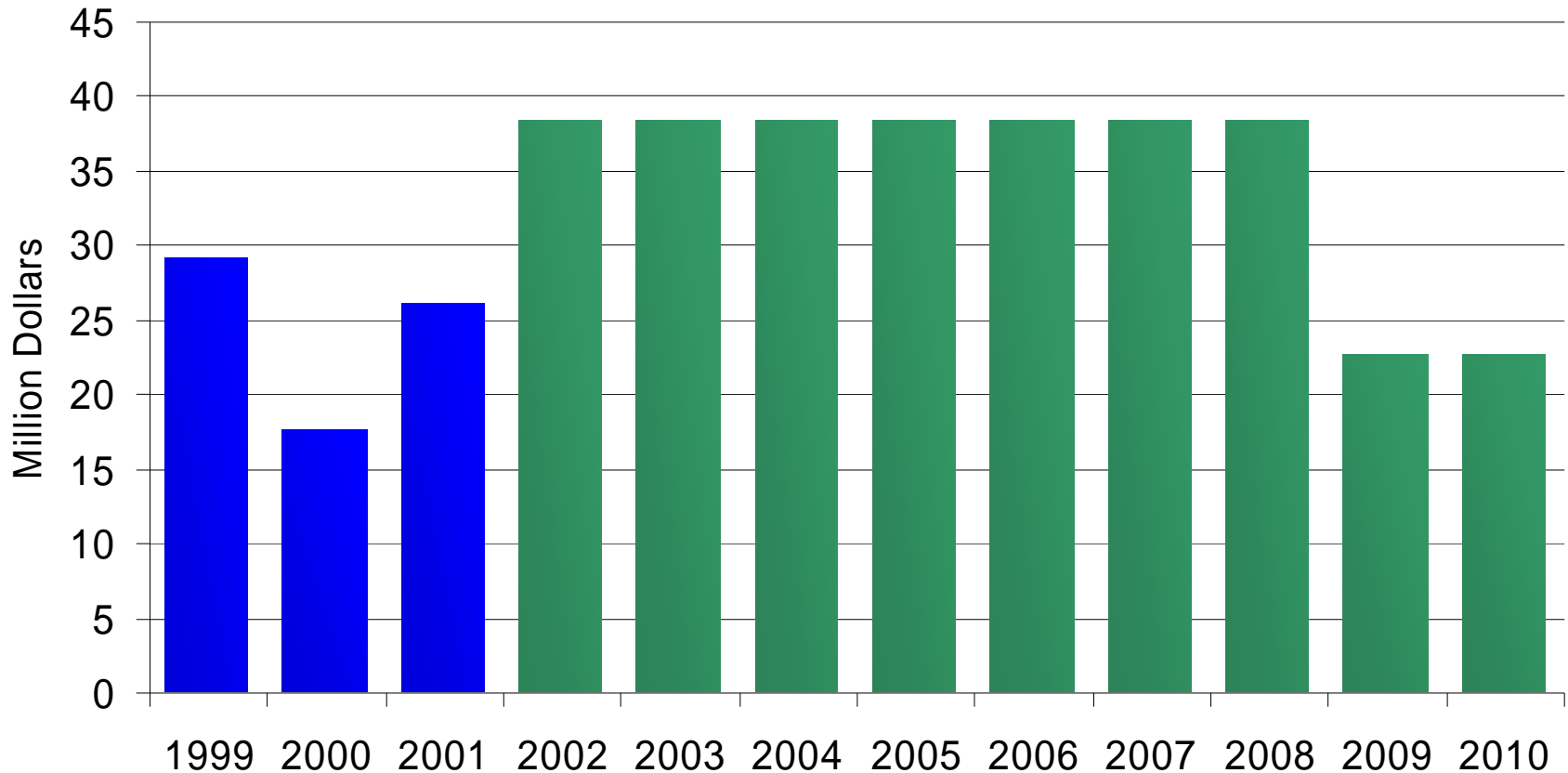


Phase II in TN

- Tennessee projected to receive \$390 million 1999 to 2010
- Only cigarette tobaccos eligible (burley eligible, dark tobaccos not eligible)
- Tennessee Tobacco Farmers Certification Board determines allocation among growers and quota owners, determines payment basis
- 80% allocated to growers and 20% to quota owners in 1999 and 2000; 90/10 split for 2001
- Payments have been based on the previous year's crop production records



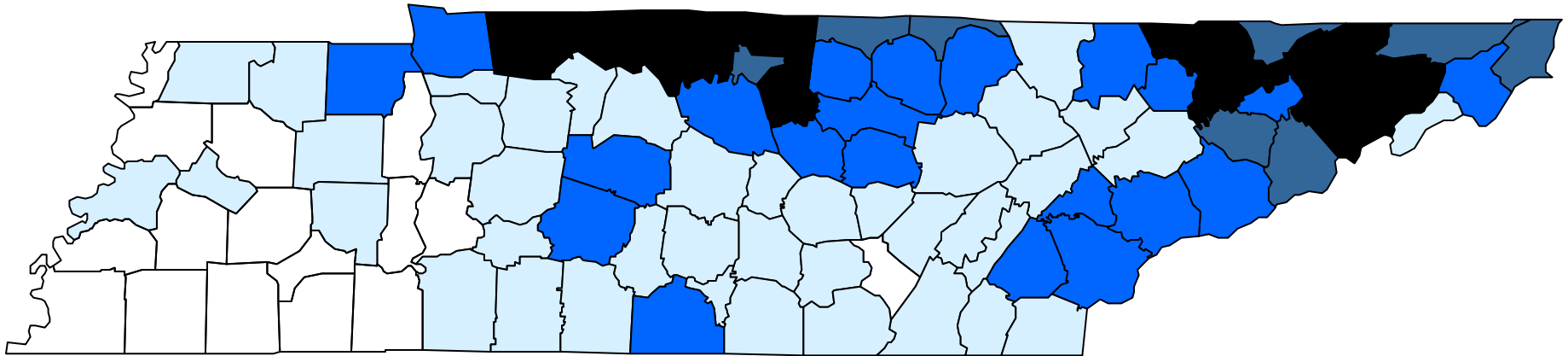
TN Phase II Payments



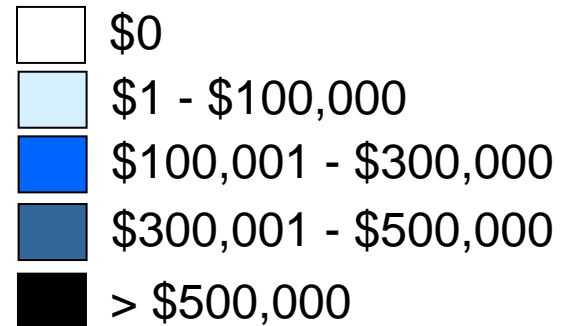
* 2002-2010 payments are projected and may be adjusted downward as cigarette consumption declines.



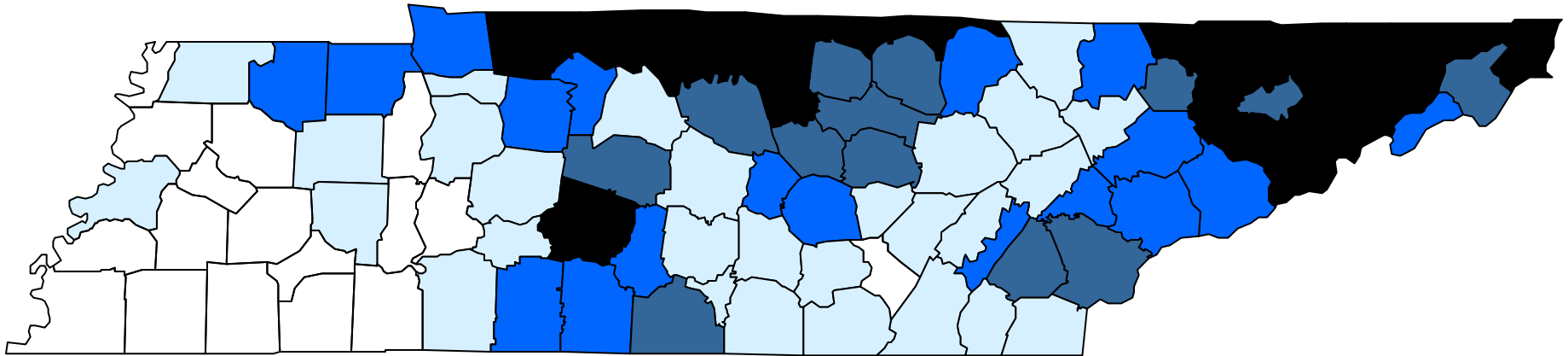
2000 Burley Phase II Payments



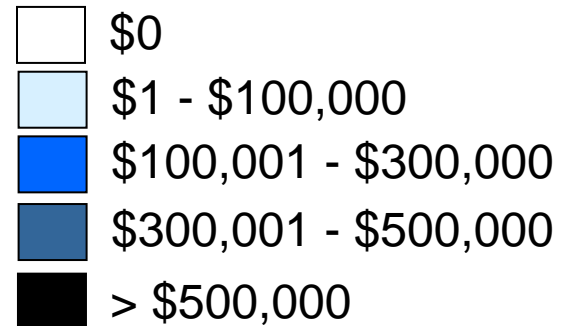
State Total = \$17,571,505



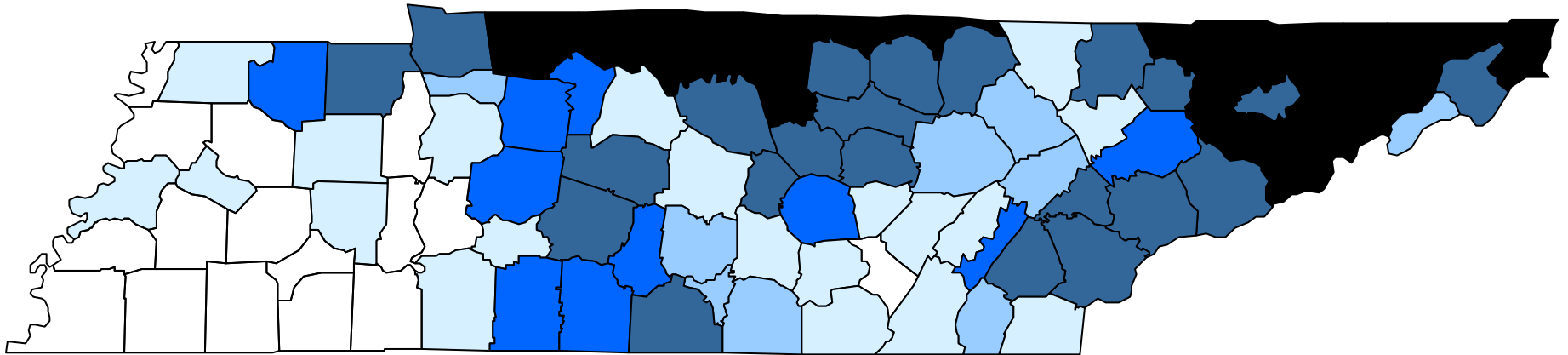
2000 Burley TLAP Payments



State Total = \$31,821,721

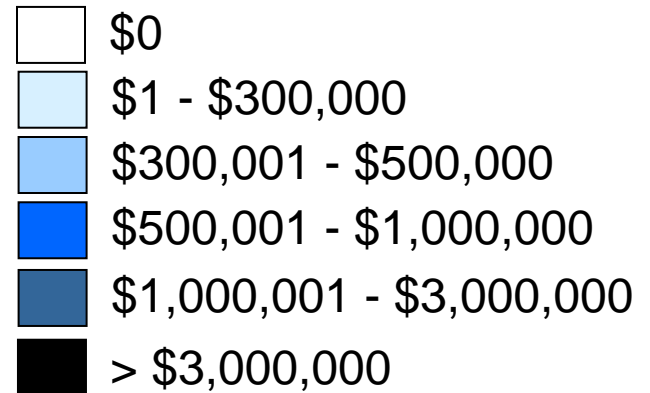


2000 Burley Mailbox Value



Mailbox Value = Value of
Production + Phase II + TLAP

State Total = \$187,514,813

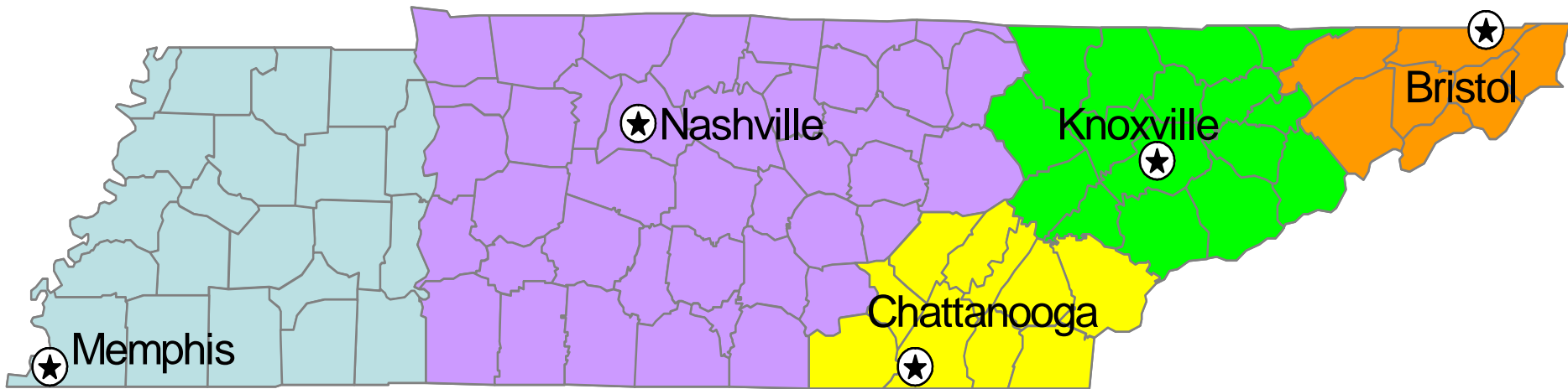


Methodology

- **Input-Output analysis using the IMPLAN model**
- **County level data aggregated to 5 BEA regions**
- **Estimate regional impacts and statewide impacts**
 - Sum over regions does not equal state impacts
- **Estimate impacts (1997 vs. 2000) due to**
 - Changes (reduction) in acreage
 - Changes in yields and prices
 - Phase II payments
 - TLAP payments



TN Economic Regions



Regions correspond to Bureau of Economic Analysis (BEA) region designations.

Description of Results

- **Direct Impacts**
 - Impacts that result from changes in the tobacco sector's economic activity
- **Indirect Impacts**
 - Impacts that result from changes in inter-industry purchases
- **Induced Impacts**
 - Impacts that result from changes in household income and spending

Description of Results

- **Total Industry Output Impacts**
 - The annual dollar value of the goods and services that the tobacco production sector produces
- **Employment Impacts**
 - The number of total wage and salary employees (full-time, part-time, self-employed)
- **Total Value Added Impacts**
 - The dollar value of wages and salaries, including benefits, self-employment income, interest, rents, profits, taxes

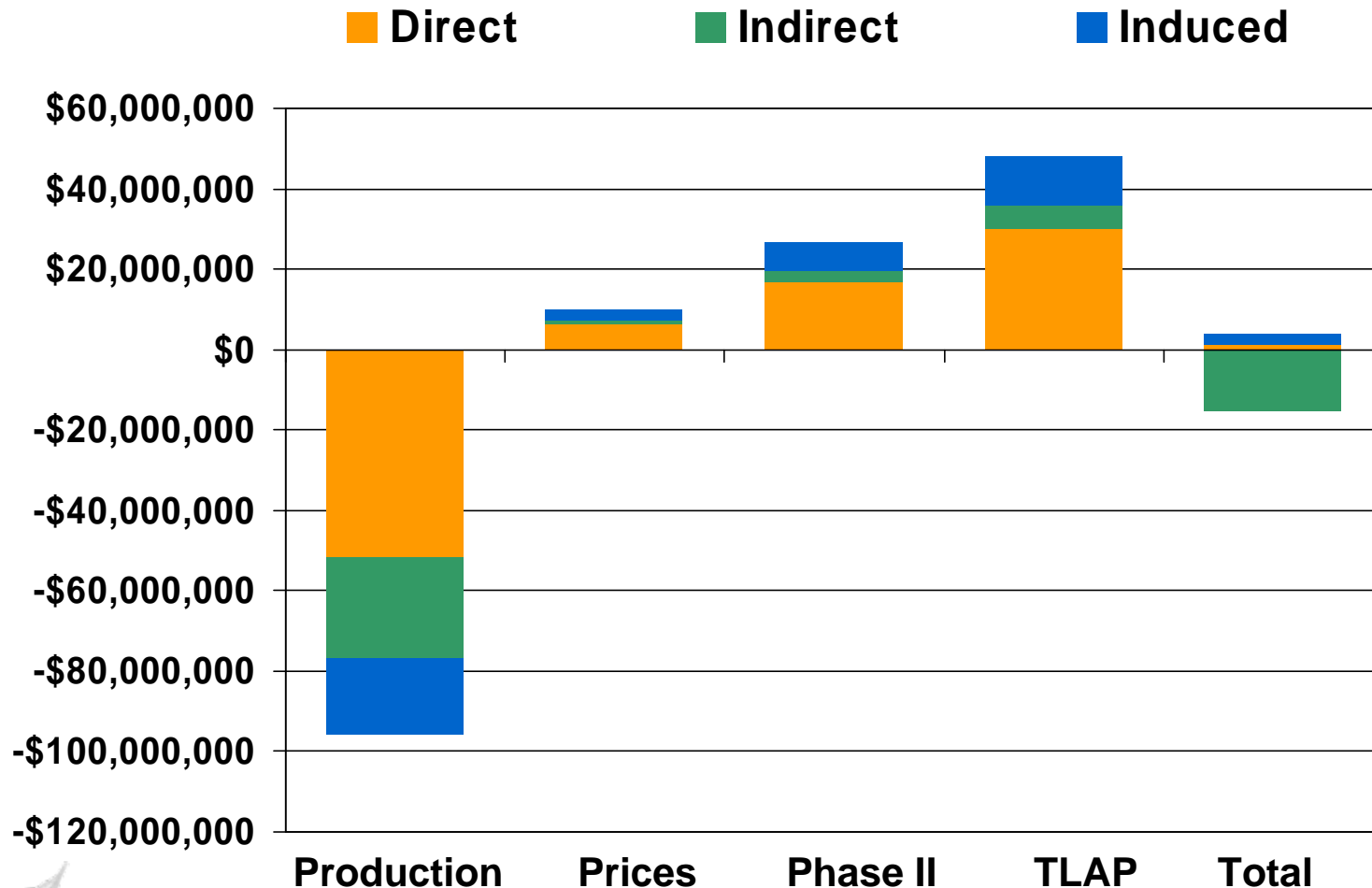


Total Industry Output Impacts

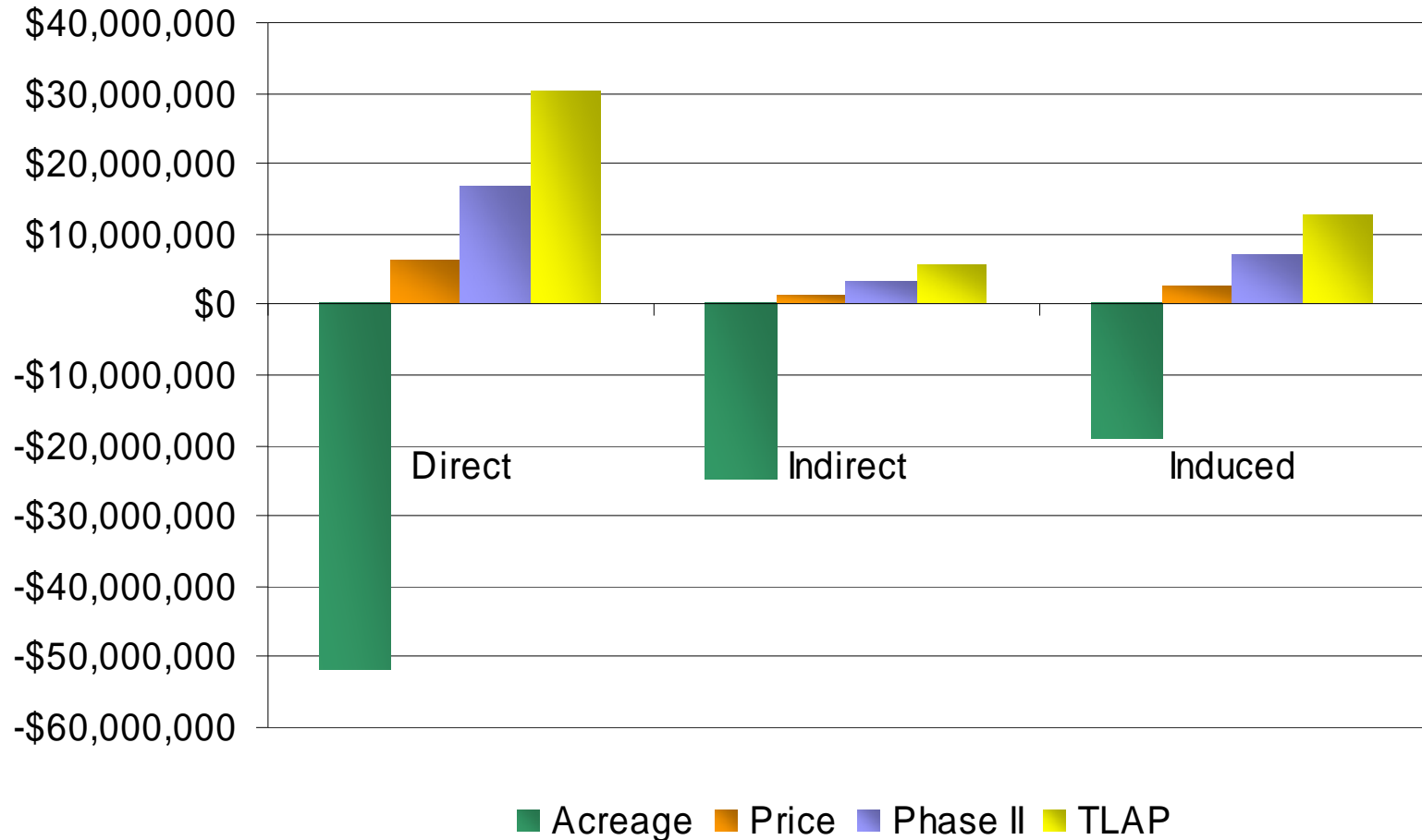
REGION	Total Acreage Impacts	Total Yield & Price Impacts	Total Phase II Impacts	Total TLAP Impacts	Total Net Impacts
Chattanooga	-1,518,927	1,046,958	748,901	1,532,990	1,809,922
Knoxville	-15,664,169	4,351,989	5,833,686	10,602,660	5,124,166
Memphis	-229,953	-73,084	352,093	725,930	774,986
Nashville	-47,005,574	432,585	11,652,569	21,903,858	-13,016,562
Tri-Cities	-20,014,664	2,917,573	6,232,135	10,319,512	-545,444
State	-95,822,701	9,838,763	26,621,370	48,203,027	-11,159,541



State Level Impacts, 2000



State Level Impacts, 2000



Total Value Added Impacts

REGION	Total Acreage Impacts	Total Yield & Price Impacts	Total Phase II Impacts	Total TLAP Impacts	Total Net Impacts
Chattanooga	-484,374	471,261	337,097	690,034	1,014,018
Knoxville	-6,378,584	2,003,358	2,685,431	4,880,740	3,190,945
Memphis	-71,756	-34,440	165,920	342,090	401,814
Nashville	-17,414,684	207,425	5,587,433	10,502,949	-1,116,877
Tri-Cities	-7,165,778	1,198,176	2,549,761	4,237,965	820,124
State	-36,777,732	4,749,032	12,849,761	23,266,922	4,087,983



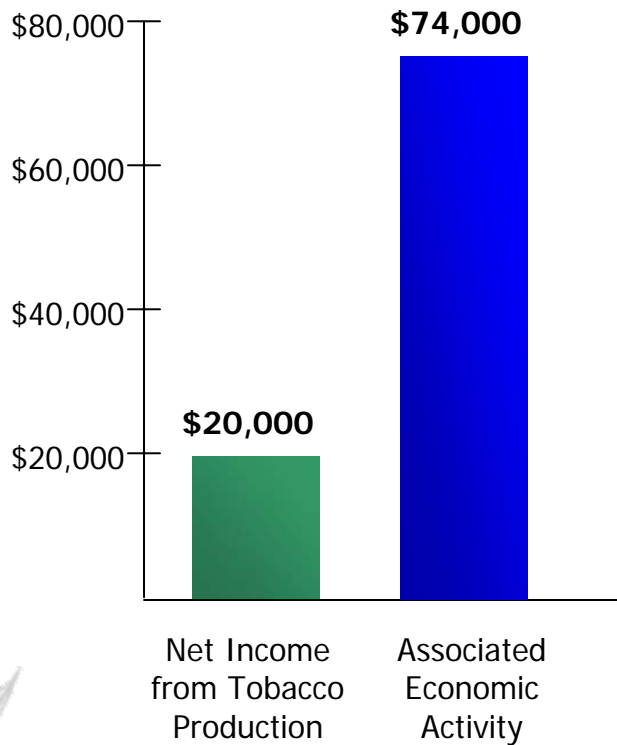
Total Employment Impacts

REGION	Total Acreage Impacts	Total Yield & Price Impacts	Total Phase II Impacts	Total TLAP Impacts	Total Net Impacts
Chattanooga	-54	11	8	17	-18
Knoxville	-971	50	67	122	-732
Memphis	-4	-1	4	8	7
Nashville	-1,536	5	128	241	-1,162
Tri-Cities	-1,273	33	71	118	-1,051
State	-3,850	111	300	542	-2,897

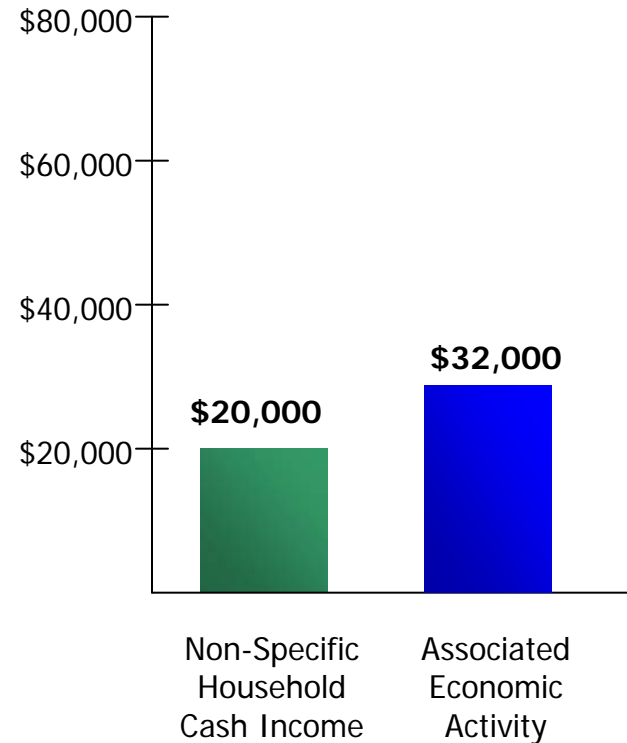


TN Tobacco Multiplier Effects

If a tobacco grower in Tennessee produces 10 acres of tobacco and nets \$20,000 in income, the total value of the economic activity associated with producing that crop is \$74,000.



If the same producer receives a lump sum payment of \$20,000, the total economic impact of that money is \$32,000.



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