

Young and Experienced Tobacco Growers Focus Groups

The mission of the Center for Tobacco Producer Research is to conduct timely research in the areas of tobacco production, economics, and markets that will provide information that will support the sustainability of U.S. production of burley, flue-cured, dark and other types of tobacco.

Introduction

The rising average age of U.S. tobacco farmers and the small number of new producers gives concern to the sustainability of future production levels. Few producers are entering production while the majority of tobacco producers are within ten years of normal retirement age. This issue of the aging farmer is nothing new to agriculture and the age distribution of tobacco producers has not varied substantially from the rest of U.S. agriculture in recent years. However, the elimination of the federal tobacco program resulted in a mass exodus of tobacco producers from the industry in a very short period of time with few growers to replace them.

While from one standpoint a significant barrier to entering tobacco production was removed through the elimination of tobacco quotas; the need for specialized equipment, curing structures, manual labor and the significant operating capital required to plant a crop have kept tobacco production a difficult venture for new producers. For most new growers, the ability to rent or use existing curing barns and equipment from a family member or neighbor is critical to entering production.

While tobacco farmers have historically remained active in their operations many years past normal retirement age, the elimination of the federal tobacco program created an environment where older producers are less likely to keep tobacco production as part of their crop mix. The absence of quotas and crop share arrangements and the new flexibility of former tenant farmers to consolidate production to their own land without the penalty of lease cost have contributed to the consolidation of tobacco farms. When farms are taken out of tobacco production, much of the on-farm tobacco infrastructure is permanently removed from use as it is converted to other uses or becomes dilapidated over time. This presents a challenge for younger growers who cannot afford to purchase expensive harvesters or build curing barns to begin producing tobacco or expand existing operations.

The most recent government data on producer age is from the 2002 Census of Agriculture, more than two years before the federal tobacco program was eliminated. The Census data summarized

in Table 1 reveal the average age of the U.S. farmer increased to 55.3 years from 54.3 in 1997 and 53 in 1992. Additionally, 50.1 percent of farmers were 55 years or older compared to only 47.1 percent ten years prior.

Table 1: Census of Agriculture: Percent of farms in various age groups

Producer Age	U.S. All Farms			U.S. Tobacco Farms		
	1992	1997	2002	1992	1997	2002
24 or younger	1.45%	1.09%	0.80%	1.92%	1.52%	1.27%
25 to 34	9.29%	6.72%	4.98%	10.09%	8.08%	5.50%
35 to 44	19.83%	19.43%	17.21%	19.03%	18.92%	16.87%
45 to 54	22.30%	24.41%	26.90%	22.50%	23.92%	25.02%
55 to 64	22.33%	22.35%	23.91%	21.80%	22.85%	25.11%
65 or older	24.81%	26.00%	26.20%	24.67%	24.70%	26.24%

Source: U.S. Census of Agriculture

Among tobacco farmers, the average age of 54.7 is lower than the average for all farms and a larger percentage of farmers were 55 or older and 34 or younger than the average for all farms in the U.S in 2002, 51.3 percent compared to 50.1 percent and 6.8 percent compared to 5.8 percent, respectively.

Overall, the changes in both the younger and older age groups over this time period were similar to the average for all U.S. farms, with the percent of tobacco farmers in the 34 years or younger age group falling from 12.0% of the total in 1992 to 6.8% of the total in 2002. Meanwhile, those tobacco producers in the 55 or older age group increased from 46.5% in 1997 to 51.3% in 2002.

A characteristic of tobacco farms that differs from the typical U.S. farm is the percent of farm operators with farming as their primary occupation. In 1992, while the majority of producers had some off-farm employment, 48.7 percent of tobacco farms had occupations other than farming as their *principal* occupation compared to 45.3 percent for all farms. In 2002, only 34.1 percent of tobacco farm operators had a principal occupation other than farming, compared to 42.5 percent for all farms. This is much more the case in states with mostly flue-cured tobacco farms. While type-specific data are not available, Table 2 summarizes farm operators by principal occupation for selected tobacco producing states. States with mostly flue-cured tobacco production have a significantly higher percentage of tobacco farms with a principal operator with farming as their primary occupation. In 2002, approximately 77.9% of producers in North Carolina had a primary occupation of farming, and Florida, Georgia and South Carolina

have an even greater percentage of growers with a primary occupation of farming than North Carolina. States producing primarily burley tobacco during the same period, (Indiana, Kentucky, Missouri, Ohio and West Virginia) all fall within the range of 56.6% to 68.3%. Virginia follows more in line with the burley producing states with 63.2% of tobacco producers with farming as their principal occupation.

While part-time tobacco growers are becoming less common among all tobacco farms, they have historically been much less prevalent among flue-cured producers. However, the differences between burley producing states and flue-cured producing states have substantially narrowed since 1992. While the majority of burley farm operators had a principal occupation away from the farm in 1992, this is no longer the case.

Table 2: Percent of tobacco farmers with farming as primary occupation.

	1992	1997	2002
Florida	81.1%	80.6%	80.9%
Georgia	80.9%	84.8%	87.0%
Indiana	41.4%	41.7%	56.6%
Kentucky	47.8%	47.5%	63.2%
Missouri	56.7%	55.8%	68.3%
North Carolina	66.4%	68.5%	77.9%
Ohio	45.1%	44.5%	62.6%
South Carolina	72.3%	78.0%	78.1%
Tennessee	43.8%	45.4%	61.4%
Virginia	51.9%	54.2%	63.2%
West Virginia	39.8%	43.2%	58.5%

Source: U.S. Census of Agriculture

This change shows that many more producers with principal occupations away from the farm quit growing tobacco over this period than full-time producers. This is also reflected in Table 1. The number of tobacco producers falling in the 55 and younger categories in fell from 53.5% in 1992 to 48.7% in 2002. Farmers in the 55 and younger categories are more likely to have off-farm employment, while older producers are more likely to be full-time farmers or retired from off-farm jobs. While data are not yet available, the elimination of the federal tobacco program is

expected to have escalated this trend. Family farms working a small crop of tobacco on the evenings and weekends are becoming much less common as farm sizes increase to improve production efficiency.

There is significant interest in the structural changes that are occurring in U.S. tobacco farming and the factors that drive producers' decisions. The results of the 2007 Census, available in the spring of 2009, will provide an interesting comparison to past data, measuring the impact of the elimination of the federal tobacco program on the changing U.S. tobacco farm. These data will reveal the most substantial changes in the structure of tobacco farms in the history of U.S. tobacco production.

While limited data is currently available measuring the changes occurring among tobacco farms, much can be learned directly from talking with farmers. Focus group sessions with farmers from different geographic regions can provide valuable qualitative information about the factors driving tobacco producers' decisions. While focus group results cannot generally be projected onto the population, they are an effective tool for acquiring first-hand examples and interesting insights into the many opportunities and issues tobacco producers are facing across different geographic regions and tobacco types.

Methods

Eight focus groups were held with tobacco producers in burley, dark and flue-cured production regions. A total of sixty-four tobacco producers participated in the focus groups. Two focus groups were held in each of the following locations: Hopkinsville, KY, Versailles, KY, Winston-Salem, NC and Greenville, NC. At each location, one focus group was held with a group of younger producers and one with a group of older producers from the location and surrounding counties. Generally, these locations are classified as the following regions of production: Central Kentucky, Western Kentucky, Northern Piedmont North Carolina and Central Coastal North Carolina.

Local County Extension Agents assisted in the recruitment of participants for the study. For each group, tobacco producers were invited from multiple counties in the region representing farms with various crop mixes and levels of tobacco production. Table 3 summarizes the participants of each group for each location.

The objective was to explore the factors influencing tobacco producers' decisions and identify the major issues and opportunities affecting their farming operation. The discussion was allowed to flow freely, guided by a list of questions provided to the group facilitator.

Table 3. Focus Groups Participants

Region	Group	Number of Participants	Avg. Age	Avg. Tobacco Production (Acres)	Crops Produced
Central KY	Younger Group	6	34	58	Burley, beef cattle, hay, grain
	Older Group	9	65	20	Burley, beef cattle, cow-calf, horses, grain
Western KY	Younger Group	4	48	97	Dark-air, dark-fired, burley, grain, beef cattle, cow-calf
	Older Group	5	53	118	Dark-air, dark-fired, burley, grain, beef cattle
N. Piedmont NC	Younger Group	9	37	130	Flue, burley, grain, vegetables
	Older Group	8	56	123	Flue, burley, grain, vegetables
C. Coastal NC	Younger Group	12	37	150	Flue, burley, grain, cotton, peanuts
	Older Group	11	63	124	Flue, grain, cotton, peanuts

Central KY

The younger producer group held in Central Kentucky included six producers from Anderson, Henry, Shelby and Woodford counties. The average age of the group was 34 years old. Tobacco acreage ranged from 30 to 130 acres with an average of 58 acres. All but one producer also had beef cattle; other crops included alfalfa hay and corn. Two participants also had off-farm income.

The older producer group included nine producers from Fayette, Franklin, Mercer and Woodford counties. The average age of the group was 65 and tobacco production ranged from 12 to 40

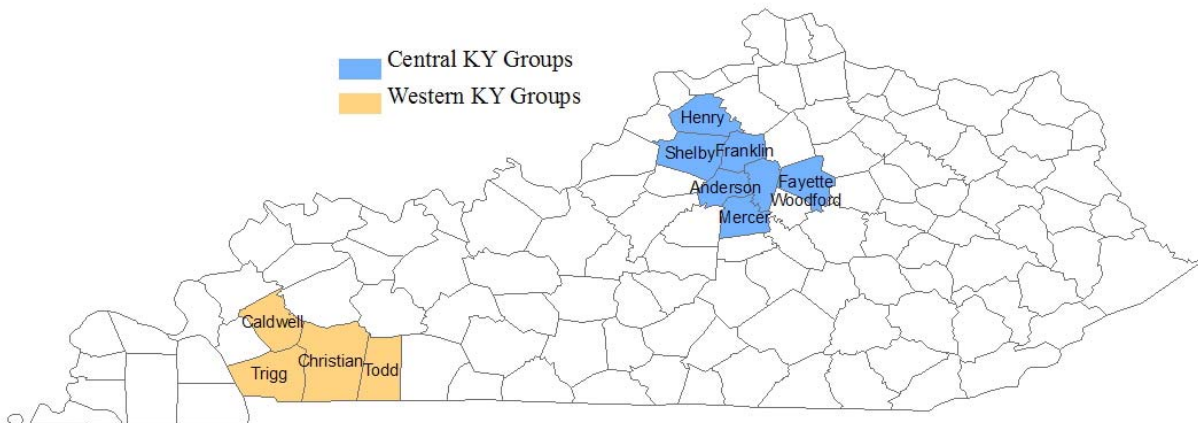
acres with an average of ten acres. All producers also produced cattle; some also had horses and grain crops.

Western KY

The younger Western KY group consisted of four producers from Caldwell, Christian, Todd and Trigg counties. The average age of the group was 48 years old. Tobacco production ranged from 43 to 200 acres and was primarily dark tobacco. One producer only produced burley. Other commodities produced included grain and cattle.

The second group at the Western KY location was comprised of five producers from Christian County. The group's average age was 53 years old and tobacco production ranged from 45 to 200 acres with an average of 118. Each producer primarily produced dark tobacco except one who produced only burley. Additional enterprises included grain and beef cattle.

Map 1. Central and Western KY Participants' Counties of Residence



Northern Piedmont NC

The younger group included nine producers from Davidson, Forsyth, Stokes, Surry and Yadkin counties averaging 37 years old. Total flue-cured production ranged from 70 to 200 acres with an average of 130 acres. Seven of the producers had started growing burley tobacco following elimination of the tobacco program. Most of the producers were growing around five acres of burley, although one produced 25 acres and another 36 in 2007.

The follow-up group consisted of eight producers from Forsyth, Stokes, Surry and Yadkin counties with an average age of 56. The primary crop grown by these producers was flue-cured

tobacco. Two producers had a small amount of burley and two others had tried burley in 2005 and 2006. Total tobacco acreage averaged 123 acres.

Central Coastal NC

The younger Central Coastal North Carolina group consisted of twelve producers from Beaufort, Greene and Pitt counties with an average age of 37 years. All of the producers were full-time farmers with flue-cured tobacco production ranging from 65 to 365 acres with an average of 150 acres. There was also one producer who produced around 17 acres of burley. Other crops produced included corn, wheat, soybeans, cotton and peanuts and averaged approximately 1,500 acres.

Map 2. Central Coastal and Northern Piedmont NC Participants' Counties of Residence



General Findings

The results are organized by topic with a summary of the results from all groups. Following the summary results are highlights from each session for the four different locations.

Topic 1: What were the conditions that allowed you to start growing tobacco?

<p>Summary: Very few tobacco producers entered production without growing up on a farm and having assistance from a family member to start their farming operation. The major barriers to entry discussed include the cost of land and equipment and acquiring necessary financing. The most common tobacco producer grew up on a family farm and worked with their parents and</p>
--

later rented some land or sharecropped to start their own production. They typically borrow equipment from their fathers and use operating loans until they could afford to make a down payment and purchase their own equipment and land.

Several of the older burley producers explained that when they started farming tobacco was relatively cheap to get started in production. Producers could raise tobacco “on the halves” with landowners until they could afford to buy land of their own.

Most of the younger producers continue to share equipment and land with family members, in most cases their fathers. With most, this was a partnership where the returns were shared and their fathers or other family member were very much involved in the decision making process of the operation. Likewise, many of the older farmers said they continue growing tobacco due to the interest of a child or grandchild in continuing the operation.

Central KY

Each of the young producers grew up on a family farm and their families had been farming for several generations. Three of the producers had off-farm jobs or businesses.

Four of the producers in the older group have some off-farm income or have had off-farm jobs in the past. Most of the producers had inherited at least part of their farming operation from their parents. Three producers said they were at least fourth generation tobacco producers, one a fifth generation producer and another producer knew that tobacco had been grown in his family for eight generations. The others were sure that at least their grandfathers had produced tobacco.

Western KY

The producers in the Western KY group were all raised on tobacco farms and farmed with their fathers until they were able to produce on their own.

Each of the producers in the older group had significantly expanded the level of tobacco production beyond what their fathers had produced and had made tobacco a much more important part of their total farming operation.

North Piedmont NC

The producers in both the younger and older groups grew up on tobacco farms. One producer grew up on a part-time farm of only five acres and had bought additional land, expanding the operation into a full-time farm.

Central Coastal NC

All of the young producers grew up on family farming operations and gradually took on more responsibility in the operation. Several were able to purchase their own property by first working on their family operation.

Nine of the older producers are still farming the same farms they grew up on. Most of these were also renting or had purchased additional property. One grower had worked for a tobacco company for a few years until able to buy a farm and become a full-time farmer.

Topic 2: What are the primary benefits of producing tobacco compared to other commodities produced?

Summary: The ability of tobacco to consistently generate better profit on fewer acres of land was described as the primary benefit of tobacco production.

A few growers mentioned the importance of tobacco production in providing work for farm labor. They explained that no single crop could keep their labor busy throughout the entire growing and harvest season and tobacco allowed them to provide adequate employment to keep labor on their farm to help with other crops as well.

Among younger growers, tobacco was described as a high value crop that could allow them to expand their operation. Older producers more often mentioned how it was important that they “enjoy producing the crop”. In several locations, experienced producers discussed how they had produced tobacco for several decades and would continue growing the crop as long as it is profitable

Central KY

Given the high value of land in the area, the producers thought the high return per acre from tobacco was the most important characteristic of the crop. For most of the producers, tobacco was the commodity that required most of their time. For one producer, the main advantage of tobacco was keeping his labor occupied during times when he was not busy with his primary commodity, alfalfa hay.

The older group described the importance of tobacco as the method to expand their farming operation. It allowed them to borrow money and purchase equipment and land. When they were getting started farming, it was very cheap to start growing tobacco and yielded very good profits.

Western KY

The younger producers felt tobacco was very suitable for their region. They achieved very good yields and especially with dark production, they had expertise to produce tobacco of the best quality. Tobacco was described as a good compliment to their grain production since row crop production did not require as much of their time.

For the older Western KY group, tobacco provided a very good return for the amount of land invested in production. They described their yields as well above average and tobacco fit very well into their crop rotation. A couple producers said burley fit very well with grain production because of the timing of labor needs and the relatively low maintenance required during the growing season compared to dark tobacco.

Northern Piedmont NC

The producers said there are few alternative crops to tobacco in their area due to the high value of tobacco per acre. One producer said it is simply “what we know how to do best”.

The older producers also said that tobacco historically had provided much better profit for the limited land available to them in their area. They do not have enough land to be efficient with other crops, such as grain crops. While tobacco was not generating as much profit since the buyout due to rising costs and lower prices, it was what they “are set up to do” and continues to be their best alternative. Several growers had experimented with alternatives such as vegetables with mixed success.

Central Coastal NC

The major benefit identified by the younger participants was the potential income per acre. Tobacco does not require as many acres to generate a substantial income and land was getting more difficult to acquire. Several participants said their tobacco production provided the means to keep their labor employed year round. Keeping labor employed year-round was important since it is getting more difficult to find seasonal labor.

One younger producer said that tobacco production “teaches patience” and the detailed management required to produce tobacco has made him a better farmer.

While being profitable was most important, many of the producers in the older group said the important thing was that they enjoy working in tobacco. One producer said he enjoyed the challenge of producing a quality crop and the sense of accomplishment with “bringing in the last leaf”.

Topic 3: What was the impact of the tobacco buyout on your operation?

Summary: Most of the participants increased the amount of tobacco they were growing significantly after the buyout, especially among the younger producers. The major reason for the expansion was the elimination of lease cost.

Among flue-cured producers, many had experimented with burley tobacco in nontraditional areas with mixed results. Additionally, the proceeds from the buyout had allowed many of the flue-cured producers to invest in equipment to mechanize their operation and produce more efficiently. Some concern was voiced that some growers are supplementing their income from the buyout payments and may not be able to continue production once the payments end.

Older producers were less likely to agree that the buyout improved their profitability. Many owned their land and the majority of their quota when the buyout passed and the reduction in price combined with increases in the costs of production exceeded their cost of leasing pounds under the federal tobacco program.

Central KY

Each member of the group was leasing most of the tobacco quota for their operation before the elimination of the Federal Tobacco Program and felt the primary benefit of the buyout was the lease cost savings and the ability to consolidate their farming to fewer locations.

Two younger producers said they would have had to quit growing tobacco if the buyout had not eliminated the lease cost. They were paying \$0.70 per pound to lease tobacco quota prior to the buyout, which made it nearly impossible to produce profitably.

Among the older group, more of the producers owned a large portion of their land and quota before the buyout, so the buyout had less of an impact on their production levels. Most said they are growing less tobacco now than they had in the past.

Western KY

All of the participants in both groups said they significantly increased their tobacco production after the buyout. The lease price prevented them from expanding under the Federal Tobacco Program. All but the largest producer in the younger group said the buyout allowed them to expand their production levels and they were now growing as much as they wanted and would not likely expand more in the future.

Northern Piedmont NC

Seven producers in the younger group increased flue-cured production and complimented their flue-cured production with burley after the buyout. Two producers kept their production the same after the buyout was enacted.

All of the producers in the older group increased tobacco production after the program was eliminated. A few growers indicated the biggest change they made following the buyout was adding burley production to their crop mix. Two producers had experimented with a few acres of burley, but had stopped due to low yields, quality and unavailable labor. Two other producers said their burley production was a nice complement to their operation by allowing them to keep their labor busy. One grower mentioned that having burley production to keep the labor busy allowed them to be more patient and allow the flue tobacco to ripen better.

Central Coastal NC

Each member of the younger group had expanded tobacco production as a result of the buyout. Most said they expanded significantly the first year after the buyout and have little room to expand further, primarily due to land constraints.

The producers were paying up to 1/3 of the selling price per pound to lease quota for several years prior to the elimination of the Federal Tobacco Program. Another major benefit of the buyout identified by several younger producers was the ability to consolidate their tobacco operation to land closer to home.

The buyout funds were primarily used to pay down debt and to purchase machinery. Several producers were able to expand and fully mechanize tobacco production using money from the buyout.

Most of the growers in the older group also expanded their production levels as a result of the buyout. In addition to expanding production, one grower said the buyout payments had provided flexibility and a “cushion” for ten years, but he was concerned about the impact on many farms once the buyout payments end.

Topic 4: What are your most limiting factors?

Summary: The limiting factor most commonly discussed was the general lack of profitability. The majority of the participants in all sessions indicated they had the capacity to expand production if prices were higher, allowing for more return for the investment required.

Several producers also named future uncertainty as a major limiting factor in production. Expanding their operation would require a long-term investment in expensive machinery and

curing structures and they were reluctant to invest in these items without knowing they could produce tobacco profitably for many years in the future.

Overall, the most significant input limitations named were labor and land. In Central Kentucky and Northern Piedmont North Carolina, the availability and cost of land was a critical concern. Due to rising prices of other commodities, the cost of renting land is becoming a more significant concern in Western Kentucky and Central Coastal North Carolina.

More producers are switching to the H-2A labor program as their primary source of labor as local labor has become impossible to find in some areas. Growers are primarily concerned with increases in the mandatory wage rate, but additionally the cumbersome paperwork, regulations and fines associated with the program.

Central KY

The younger producers felt the most limiting factor was uncertainty of what the future holds for tobacco production. They also discussed the need for a long-term commitment from buying companies that would allow them to make necessary investments in their operations.

These producers thought labor was the most limiting production factor followed by available curing barns. Four of the producers were using the H-2A program to hire migrant labor. While they enjoyed a more reliable labor force by using the program, it was much more expensive and restricted their ability to share labor with neighboring farms, a common practice in the past. While the H-2A wage rate was \$8.42 per hour, the producers estimated the total cost per hour, accounting for all expenses, was likely in the \$12 to \$14 range.

The lack of available barn space was mentioned as a significant limitation. Much of the tobacco production in the area was produced on a tenant share arrangement prior to the buyout. Many of the barns on these properties are no longer used since the former tenant farmers have consolidated production to their own properties.

One producer thought that one limiting factor to growing tobacco was that it “just isn’t as much fun to produce as it once was”. He described tobacco production as more of a management job working with mostly foreign labor compared to the days when tobacco was more family oriented.

The older group felt the current price of tobacco and availability of labor was restricting their production the most. Several explained that the investment required to plant a crop with recent increases in the cost of labor and fertilizer created a very risky atmosphere in tobacco production.

One producer said his bank will loan money on his cattle, but will no longer provide loans on his tobacco.

Another producer said the lack of mechanization in burley was a limitation in the area. He explained that many producers in the area have access to the capital to invest in mechanization, but the technology is not yet available.

Western KY

The amount of time required to manage more tobacco production was a major limiting factor for each of the producers. Each of the producers had increased production significantly in recent years and was concerned that further increases in production would result in lower quality and profitability.

The producers said labor and cost of land were other limiting factors for production in their region. Due to higher grain prices, lease rates for land had increased to as much as \$350 per acre in some locations.

In previous years they were more restricted on the amount of dark tobacco they could contract with the companies, but they now believed they could get a contract for as much tobacco as they wanted to grow.

The older group confirmed that availability of land and the expense to rent land is becoming their most limiting factor. Additionally, they were concerned about increases in the H-2A wage rates in the near future. While the availability of labor was not a major issue, the regulations and expense associated with the H-2A program was a major concern.

One producer said having access to water to irrigate his land would help him to expand production.

Northern Piedmont NC

The biggest limitation discussed by the producers was a lack of available land to properly rotate crops. Land prices have increased significantly in recent years. Cash lease rates for land have increased to \$200 per acre in much of the area.

Besides land, labor is a significant limitation. Most of the producers were using the H-2A program to hire labor and the cost was a major concern.

One producer said the increase in fuel costs had a larger impact on his profit this year than the cost of labor.

The older group said land was the major limitation to their production of tobacco. Additionally, the increased cost of fuel made it more difficult to travel longer distances to land that may be available.

The cost of labor was also a concern, but it was expected to be less than the previous year since the H-2A wage rate was decreasing to \$8.85 from \$9.02.

Central Coastal NC

The major limitations referred to were both the cost and availability of land and labor and the cost of fuel.

Land was mentioned by more producers than labor. For example, one producer stated that his tobacco production required 800 acres of tillable land to allow for the necessary crop rotation. In his region, it was getting more difficult to find this amount of land for a reasonable cost. Higher grain prices were brought as the major factor causing more competition for land.

Only three producers use the H-2A program to hire labor for their operation. However, several said finding adequate local labor has become much more difficult over the past two years and they may be forced to use the H-2A program in the near future.

One producer said an attorney claiming to represent his H-2A laborers came to his farm to “negotiate the working conditions”. Those using the H-2A program were paying \$9.02 per hour in addition to “all their expenses except food”.

A couple producers said they were considering reducing production next year in order to move their tobacco production closer to their home. They said reduced cost of transferring equipment and labor to the other properties would help them to be more profitable with their remaining acres.

The group agreed that the cost of curing gas had significantly increased their cost of production. According to one producer, the cost of gas was nearly 15% higher in 2007 than 2006.

The older group described the investment required to continue producing as the major limitation. Another producer explained that there was not enough certainty in the industry to make him feel safe investing in tobacco production. He explained that the tobacco company he was contracting with had suddenly closed the receiving station without any warning to the growers in the area and this had cast doubt on the commitment they have to the growers that are investing money in equipment and land to produce tobacco.

One producer said that the major limitations are uncertainty, lack of profit and labor. He said that nearly all of the producers in the room had the capacity to expand production by 100 acres or more if the price was increased.

Topic 5: What characteristics of a marketing location are most important to you? What are

the major issues related to marketing?

Summary: In addition to concern over price levels, nearly every group expressed some need for better communication with the buying companies. To most, this was explained as seeing changes in the way contracts are structured and receiving station practices based on the input from growers.

Many positive aspects of the movement to contracting were discussed in addition to concerns. Several growers explained that while contracting could use some improvements, it is more efficient, equitable and cost effective than the auction system.

Concerns related to how tobacco is marketed mostly centered on inconsistent grading of tobacco by receiving stations. This concern was brought up by both flue cured and burley producers in each of the focus groups.

Generally, younger growers were more interested in a closer relationship with the buyer and were more likely to contract their tobacco to only one buyer. More older producers indicated they contracted with more than one company than younger producers. They believed having multiple marketing options provided a more certain market and in some cases, growers used multiple contracts to achieve higher average prices by selling some to each buyer and determining which buyer was providing better grades.

Additional issues brought up by growers included complications with scheduling delivery, storing tobacco prior to sale or while waiting for receiving stations to reopen, and the distance to travel to receiving stations.

Central KY

One major theme of the discussion about marketing issues among the younger producers was a lack of communication from the buying companies. The producers thought the companies should do a better job communicating with the producers and respond to input from the producers. One producer said that the information he gets in the mail from the company he contracts with “does not even provide a phone number to contact them”.

Several producers said they had experienced inconsistent grading when delivering tobacco. One producer said “your profitability seems to depend on the mood the grader is in”. Another producer gave an example of two loads of tobacco produced in the same field and cured in the same barn that when delivered to the same receiving station were graded much differently.

The producers did not like incentive programs that rewarded producers based on the number of pounds delivered. One producer said he contacted with a company that did not base incentives on production because he did not like that system of pricing. Another producer said he would

much rather see the incentive in the price because producers are going to produce as much as they can anyway and the incentive program just caused additional complications and disappointment.

The older producer group was generally satisfied with the locations where they marketed tobacco. A couple producers said in the past they did not have to travel far to market tobacco and wished the contract station was not so far away.

One producer said he prefers his marketing location because they allow him to deliver his tobacco to their warehouse for storage prior to sale. Three producers said they had problems with their receiving station with scheduling delivery.

Western KY

The dark tobacco producers in both groups expressed a strong commitment to the companies buying their dark tobacco. One producer said he had been selling directly to the same company for more than 25 years. The dark producers gave examples of years when the growing season was challenging and resulted in lower quality tobacco, but the dark companies showed a strong commitment to them by paying them “top price for the tobacco regardless of the quality”.

One dark producer described his relationship with the company he sold with as “a personal relationship” of “trust” that provides a “peace of mind in knowing they will support him in producing his crop, even in a bad year”.

One producer said he had experienced inconsistent moisture testing and grading with his burley tobacco. He said he delivered two loads of what he considered as consistent quality tobacco on different days and received \$0.08 less for the second load.

Each of the dark producers preferred growing dark production over burley. They said dark tobacco netted more profit and had a “more certain” market than burley. Some dark producers expressed concern over the entrance of burley companies into the dark market. One producer explained that the push to significantly increase dark production in a short period of time may result in lower quality dark tobacco.

The older dark producers questioned the sustainability of the recent growth in dark production. They felt much of the growth in the upcoming production season was related to a new company entering the market and building an initial inventory, but may not be sustainable like the growth among the traditional buyers.

The producers favored the elimination of any type of incentive programs based on production.

Northern Piedmont NC

The younger producers said their major concern was the lack of profitability. Several producers agreed that price is not keeping up with the cost of production.

Another producer said he was concerned the producer had “no voice in the development of contracts”.

Several producers said their receiving station was not consistent with grading. One producer said the buyers frequently ask the producers what type of tobacco they are delivering. He thought many graders were not able to distinguish the difference in quality grades and graded to keep prices at an average level.

The older group said some receiving stations are more consistent with grading than others. Several of the growers addressed this by signing more than one contract and delivering tobacco to the buyer that is paying the most for a particular type of tobacco.

Central Coastal NC

The younger group identified several positive and negative aspects of contracting. Most of the discussion was generally positive, and the general theme was that the contracting system has issues, but is much better than the old warehouse auction system.

The positive aspects of contracting discussed included a general lack of politics in marketing, improved efficiency, improvement in the quality of the crop marketed, and the equal treatment of all producers in marketing.

The most common negative characteristic of contracting discussed by the group was unfair and inconsistent grading of tobacco. Several producers provided examples of having what they considered as the “same tobacco” graded significantly differently by the same receiving station on different delivery days. Additionally, several producers agreed that one company was more restrictive than others with grading. One producer said he received \$0.15 more per pound for the “same tobacco” from one company compared to another.

A couple producers discussed frustration with what they described as a lack of commitment to young producers and a general lack of communication from the companies.

All but two of those in the younger group said producers said they held contracts with at least two companies.

Like the younger group, most of the participants in the older group also contracted with more than one company. There was a lot of concern voiced by several growers about the closing of a nearby receiving station that received millions of pounds each year and provided little warning to growers prior to closing. One grower explained that contracting with more than one

manufacturer helped protect him from situations like this, although it required him had to drive a greater distance to deliver tobacco.

Two growers said they only contract with one company and have been very satisfied with their marketing location.

Topic 6: In what aspect of tobacco production do you see the most potential for improved productivity?

Summary: When asked about improving potential ways to improve productivity, most growers focused on solutions that would improve yield and reduce labor costs, such as better tobacco varieties and new mechanization technology.

Most of the burley growers, when discussing mechanization, referred to the large rack style harvester. They were also familiar with alternatives such as the Kirpy harvester and mechanical stripping machines. The cost of the equipment was the major concern, but most growers were generally optimistic that future developments may provide opportunities for them to invest in labor saving equipment. Several of the older growers, while they were interested in the possibilities of reducing labor expense, said they were unlikely to invest in expensive equipment for tobacco production because of their age.

Several growers in both the younger and older groups emphasized the need for better yielding tobacco varieties. Some older producers noted that yields on the varieties they use today are not as good as those they used many years ago.

Several growers had consolidated their operations to a smaller area to reduce the expense associated with transporting equipment and labor from one farm to another. This was also named as an important benefit of the elimination of the tobacco program. Under the old program, many growers had to travel to rented farms or produce tobacco under share arrangements due to quota limitations. They had now consolidated this production closer to their home farm.

Other methods for improving productivity named by the groups include more efficient use of labor and curing barns.

Central KY

Much of the best land in the area was shifting from production agriculture to development or horse farms. Producers in both focus groups said the loss of the best cropland to development had hurt productivity in their region.

Both groups were optimistic about opportunities for mechanization and the development of more productive plant varieties. They also discussed the need for learning more about the best production practices to manage disease and maximize yields.

One grower in the older group session said growers in the region are willing and able to invest in mechanization if effective and affordable technology is developed. Others said they would not likely make a major investment in new equipment for tobacco production due to their age.

One grower in the older group said there is a need for better yielding tobacco seed varieties. He said many of the tobacco varieties from many years ago produced better yields, but addressing problems with Black Shank has cost yield.

Western KY

Members of the younger group said advances in mechanization would provide the biggest increases in productivity.

A grower in the older group said the best way he has improved productivity is by “maximizing production to fit the labor” he has working on his farm. To a large extent, he determines his crop mix and plans his crop to provide the most effective use of labor. He explained that when managing a large group of H-2A workers, a short “down time” can cost a grower substantially in labor costs. He added that the H-2A wage rate he pays has increased from \$7.07 per hour in 2004 to \$9.13 per hour in 2008.

Northern Piedmont NC

The younger producers thought affordable mechanization to reduce labor costs and varieties with higher yields provided the most potential for increased productivity.

Participants in the older group explained that it was not feasible for many producers in the area to mechanize because their farming operation is spread out with smaller plots of tobacco on several different farms. Most of those with consolidated production on larger plots used mechanical harvesters.

Others in the group had improved productivity by moving their tobacco production closer to their main farm to avoid travel time and fuel expense related to moving equipment.

To protect against rising fuel costs, another producer was curing his tobacco using a wood burning system instead of gas curing barns.

Central Coastal NC

The younger group generally stated that because most of the production was fully mechanized in their area and most improvements in productivity would depend on the development of better plant varieties.

Members of the older group said much of the ability to improve productivity is out of their control. They are using the best varieties available and had mechanized their operations, but were always looking for additional ways to improve quality and yield and reduce costs.

One grower said he had improved efficiency in curing tobacco by maximizing the amount of tobacco per curing barn as the cost of curing fuel has increased significantly.

Topic 7: What are the major production issues facing young producers? What is the primary reason there are not more tobacco producers in this region?

Summary: The most significant barrier to entry for young tobacco producers is the cost of acquiring land and equipment to start producing tobacco. The cost of entry is a more substantial barrier to entry among flue-cured producers than burley. While some growers gave examples of young producers entering burley production by renting land and using outside or rented curing structures, flue cured growers said efficient flue-cured production requires more specialized equipment and curing barns that most young producers cannot afford.

Several older producers provided reasons why their children had not stayed on the farm. Common reasons included the lack of a guaranteed income, the ability to make more money off-farm, and the time commitment and physical labor required to produce tobacco.

The negative view of society toward tobacco was mentioned by a few growers as a reason some farmers do not want to grow tobacco. Younger tobacco growers may be more sensitive to health issues surrounding tobacco than older producers.

Central KY

The cost of land was discussed as the most prohibitive factor to young producers. One producer said he lost one farm he was renting for tobacco production that was sold for \$25,000 per acre and converted to a horse farm.

Acquiring financing was also an important issue mentioned. One producer said he relies on his off-farm income to qualify for financing to fund his tobacco operation. If he could get the necessary financing to increase production, he would farm full-time.

Lack of profitability and the cost of land and equipment were referred to by the older growers as the main reasons there are not more growers in the Central Kentucky area. Several of them had children that had pursued “easier ways of making a living” than growing tobacco.

Western KY

Renting or purchasing enough land and equipment to begin producing tobacco was named as the biggest challenge for young producers. Most of the young producers in the area began growing with the support of their family.

Two producers described tobacco production as more of a management job and less enjoyable than it once was. They portrayed tobacco farming as less appealing to young people today because of the amount of time involved and the lack of a guaranteed income.

Northern Piedmont NC

Lack of profitability and available farmland were the primary issues preventing more young producers from growing tobacco.

The older group said the main reason there are not more young growers entering tobacco production is that they cannot afford to get started. They explained that land in the area is no longer affordable for production agriculture and equipment is expensive.

Three producers knew young growers in their area that had recently started growing tobacco for the first time. These young producers were growing a small amount of burley tobacco and using former chicken houses and sheds to cure the tobacco. The producers explained that burley tobacco did offer potential for young growers, if the yields are decent, but it is too expensive for young growers to enter flue-cured production.

Central Coastal NC

The cost of entering production was identified as the primary reason there are not more young producers in the area. As one producer described the situation, “if someone has enough assets to begin growing tobacco from scratch, they wouldn’t need to grow tobacco to make a living”.

The negative view of society towards tobacco was discussed as preventing some young producers from wanting to grow tobacco. The younger producers gave examples of how many people disapprove of tobacco farmers for growing a commodity “known to cause cancer”. One producer said the growth of the hospital and college in the area seemed to have a negative impact on how the local community viewed tobacco farmers. Another producer said one of his own family members asked him “why he raised a crop that kills”.

One producer suggested the contracting companies should provide programs to encourage younger producers to grow tobacco. He explained that unless you are raised on a family farm that produces tobacco, there is no other encouragement to enter tobacco production.

Several in the older group believed younger people are not interested in the amount of work required to farm. Many of their children preferred an “8 to 5 job with the weekends off” over the “amount of time and work required to manage a farming operation”. Another grower explained

that many younger people seem to value time off more than making money and the time required to manage a farming operation resulted in “cheating yourself of a lot of experiences”.

Topic 8: What do you consider to be the biggest challenges facing tobacco producers in the next five to ten years?

Summary: The major future challenges named by participants were related to rising costs of production. Recent increases in labor, fuel and fertilizer costs were having a big impact on the producers and questioning their ability to sustain future increases in cost without receiving more money for their tobacco.

Complications with the H-2A labor program and the increasing wage rates were named by many growers as significant challenges that must be addressed in the near future.

Several growers discussed the impact that the end of the tobacco buyout payments may have on recipients’ production decisions. The responses varied between burley and flue-cured producers. Flue-cured producers believed more producers would quit growing tobacco when the buyout payments end, implying that many growers used their buyout payments to supplement their operation. On the other hand, some burley producers believed farmers may return to tobacco production when the buyout payments end since they are now using the payments to replace lost income from tobacco production.

Central KY

The producers in both groups named the major challenges in the next few years include uncertainty about the demand and price for U.S. tobacco, urban sprawl and availability of labor.

One producer in the older group said the buyout payments are a significant supplement to many farmers’ incomes and some former growers may return to tobacco production when the tobacco buyout payments end.

Western KY

The producers were concerned there were not enough young producers getting into the business to replace the retiring producers. They explained that increases in the cost of keeping adequate labor would become a major challenge unless methods to mechanize production were developed.

There was also concern expressed about greater restrictions on labor and the increasing wage rate for using H-2A program. However, the producers described their H-2A labor as more reliable and efficient than the local labor they relied on ten or more years ago.

Northern Piedmont NC

Remaining profitable in an environment of increasing costs was the biggest challenge discussed by the producers. One producer said many producers in the area were not profitable this year and would likely not produce next year.

Many in the older group agreed with one producer that many producers in their region will quit growing tobacco when the tobacco payments end. They generally believed many growers were using the buyout payments to help finance their farming operation.

Central Coastal NC

The producers in both groups mentioned general uncertainty and the lack of and cost of labor and land as the primary challenges facing tobacco producers.

Several producers in the older group said they expect many growers will quit producing tobacco when the buyout payments end.

Topic 9: How many of you expect to be growing tobacco in five years? In ten years? In ten years?

<p>Summary: Most producers said they generally enjoy producing tobacco and would like to continue as long as the crop is profitable.</p>

<p>Few burley and flue-cured growers said they expect to be growing tobacco in ten years due to the uncertainty of future opportunities. All of the producers growing dark tobacco said they expect to be growing tobacco in ten years.</p>

<p>Fewer flue-cured producers said they expect to be growing tobacco in five years than burley producers.</p>

Central KY

Four of the producers in the younger group indicated they hope to be growing more tobacco five years from now, assuming production is profitable. One producer said he would likely grow the same amount in five years, while another planned to decrease or quit unless the price significantly increased. Only one producer said he would definitely not be growing ten or more years from now. The others said they expect to be growing ten or more years from now if profitable.

Seven producers in the older group said they expect to be growing five years from now, but none expect to be producing in ten years.

Western KY

All of the producers in both the younger and older groups indicated they expect to be growing tobacco in ten years. Two producers in the first group and one in the second group indicated they may slightly increase production, while the others said they will remain at the same level.

Northern Piedmont NC

All of the producers in the younger group indicated they would like to be growing tobacco five or more years from now, but at this time there is too much uncertainty. If price does not significantly increase, then several indicated they would not be able to continue growing tobacco.

Four producers in the older group indicated they expect to be growing in ten years and two indicated they expect to be growing in five years, but not ten. The other growers said they are unsure, they may continue depending on future profitability of tobacco.

Central Coastal NC

All but four producers in the younger group indicated they expect to be growing tobacco five years from now. None of the producers indicated they expect to be growing tobacco in ten or more years. The group discussed the lack of certainty in tobacco production and generally said the uncertain environment in tobacco makes it impossible to know what the opportunities will be in ten years or more.

Several growers said they only look at one year at a time and would switch to other crops in any year when tobacco does not look profitably enough. None of the growers said they expect to be growing tobacco in ten years.

Topic 10, Older Groups: How many expect a family member to continue your farming operation after you retire? If you do not expect a family member to continue your farming operation, how do you expect your land to be used after you retire?

Summary: The majority of participants did not expect a family member to continue their farming operation after they retire.

Many of those who expected a family member to continue their operation expected the operation to be smaller scale and did not expect tobacco to be grown.

Of those who did not expect a family member to continue their farming operation, the majority

expected their land to be sold for development purposes. The exception was Central Kentucky, where several producers expected their land to stay in agricultural use, but to be used for horses and cattle.

Central KY

Four producers said they expect a family member to continue their operation and grow tobacco after they retire. Three producers said they expect their land will be sold and would not remain in agricultural use. The other producers said they expect their land to continue in agricultural use, but did not expect tobacco to be grown; they expected it to be used for cattle or horses.

One grower commented that in the past farmers owned much of the land they farmed, but in recent years farm ownership and farming have separated. He said the future generation of farmers will not own land.

Western KY

Only one producer said he expected a family member to continue his operation, another said he was not for certain, but most likely a family member will continue his operation. Among the other three participants, one expected his farm to be sold and remain in agricultural production, while the other two expected their farm was most likely be sold for development purposes.

Northern Piedmont NC

Four producers expected a family member to continue their operation. Two of these producers said while their operation will continue with tobacco production, they expected it to be a smaller scale operation. The remaining producers were not sure, but expected their land would likely be sold for development.

Several of the growers with children not interested in continuing the farming operation said it is too easy to make more money from off-farm opportunities for the children to continue the farming operation.

Central Coastal NC

Five producers said a family member is expected to continue their operation. Two of these expected tobacco production to continue on the operation, the others said they encourage their children to produce crops other than tobacco. The others were not sure, but thought there was a good chance their land would be sold for non-agricultural use.

Topic 11: What are the primary sources of information you access to help you make tobacco production decisions?

Summary: The most important source of information named by the producers is their County Extension agent and other university resources. Several growers said they often rely on experienced tobacco growers in their region for help with production issues.

The dark producers said they also rely on company representatives for direction on production decisions.

Central KY

Both groups named the Cooperative Extension service as their primary source of information used by the producers to make production decisions. Several of the producers participated in on-farm research projects such as new technology and variety trials with the University of Kentucky.

Western KY

The dark producers in both groups said they primarily relied on company representatives for direction on production decisions. They also used information from their extension agent and other university sources.

Northern Piedmont NC

Both groups said their Extension agent was the most important source of information. Several in the younger group said they frequently relied on experienced farmers in the area.

Central Coastal NC

The primary sources of information used by the younger producers included the university Extension service, their fathers and other older farmers and neighbors, chemical dealers and other farm supply businesses.

The older group said their county agent provided the most valuable information. They also said they also talked to other experienced growers about production issues.

Topic 12: What type of information do you use from your primary sources? What information is most helpful or useful to you on your operation?

Summary: The type of information and support needed by the growers did not vary by age of the producers or type of tobacco grown. The most important information to the growers included information on disease and pest problems, variety selection and greenhouse plant production, curing practices and fertilizer application.

New burley producers in North Carolina also received support on differences in the production of burley from flue-cured and curing practices.

Central KY

The most important information for these producers came from the Extension service and included variety selection, disease management, weed control, improving yields and other production information.

Western KY

The dark producers said they first followed the recommendations of the companies on production issues and involved the company representatives if they had production problems. Both burley and dark producers depended on their extension agent and other university personnel for variety selection, plant production and curing practices.

One producer said the “Tobacco Production Guide” published by the university was a very helpful reference for him.

Northern Piedmont NC

Information and support on greenhouse plant production and variety selection were named as the most important for their operations.

Most of the young producers had started growing some burley tobacco in the past 3 years. They relied on their county Extension agent to provide support on the different production and curing practices of burley.

Several producers in the older group gave examples of changes they made to their operation as a result of input from their county agent, such as fertilizer application, products used in the greenhouse and curing techniques.

Central Coastal NC

General tobacco production information was identified as the most important type of information by both groups. The participants relied on their county extension agent and other extension personnel for support on greenhouse plant production issues and variety selection.

The participants in the older group said their county agent voluntarily comes out to check on their operation and help them address any production concerns.

Topic 13: In what areas do you need more information or support?

Summary: Additional information needs included more information from the buying company, new methods to reduce dependency and cost of labor, better yielding and disease resistant varieties, how to manage stress, general world market information, and marketing information that shows grades and prices paid by receiving stations throughout the marketing season.

Central KY

Most of the younger producers thought that more direct information from the buying company would be a benefit to their operation. They felt a closer relationship would help them do a better job growing better quality tobacco.

Another producer described his idea of the best relationship between company and producer as one where the company provided information describing what is expected from the producer and the producer is responsible for delivering the product. He preferred a relationship where the buying company established guidelines, but was not involved on the farm.

The older group said additional research is needed in developing feasible labor-saving techniques and machinery for burley production.

Western KY

The producers felt they generally had adequate resources available to them to address production issues. One producer discussed the need for additional support working with migrant labor and the complications and restrictions of the H-2A program.

The second group said additional work is needed in the development of black shank resistant dark tobacco varieties and improving tobacco yields.

Northern Piedmont NC

One producer suggested that tobacco growers need more information on how to manage stress. He explained that as production has become larger scale with thinner margins, there was more stress involved.

Central Coastal NC

The additional information needs discussed by the younger group included “more information and support from the contracting companies” and more information on the market outlook and opportunities for U.S. producers in the world market.

A producer in the older group said marketing information that shows grades and prices paid for each buying station throughout the marketing season would be helpful.