The Economic Impact on Tobacco Dependent Communities

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The purpose of this presentation is to provide background on tobacco dependency in North Carolina—stressing the importance of people defining dependence in a broad way as they pursue policy options and community development projects. I also wanted to discuss, briefly, the importance of the Tobacco Trust Fund Commission, the Golden LEAF Foundation, and the Health and Wellness Trust Fund. The state of North Carolina has committed those funds to help tobacco-dependent communities. For instance, I am directing a marketing program for burley tobacco in Asheville, which is supported through the Tobacco Trust Fund. In that program I interact frequently with the people who run the Burley Stabilization Corporation, which is based in Knoxville, Tennessee. In the case of Tennessee, money from the tobacco settlement has been used to fill holes in the state budget rather than being used for community development or the agricultural industry. My colleagues in Tennessee cannot develop alternative marketing structures like we're doing in Asheville because they lack funding. I came to North Carolina (from Louisiana) because of the willingness of people in this state to talk about tough issues—whether it is education or the lack of development in rural areas. I am very proud to be an adopted North Carolinian.

Figures 1 and 2 show some of the histori-

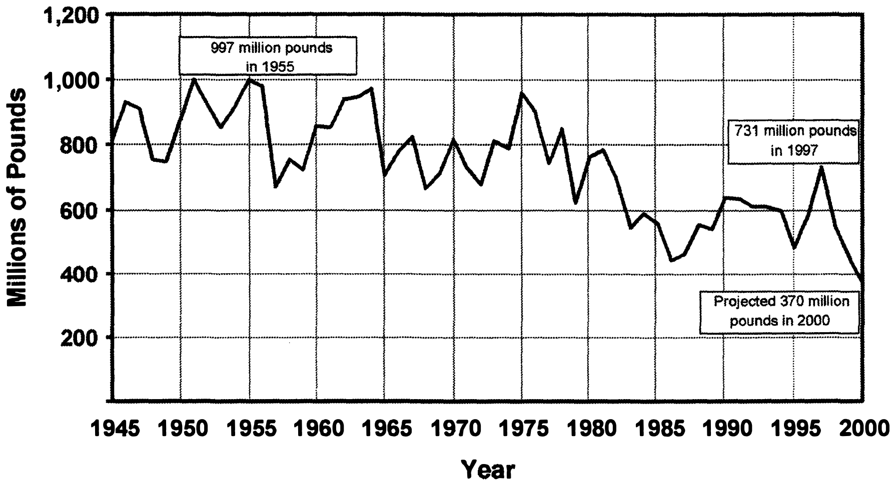

Figure 1. Tobacco Production in North Carolina, 1945-2000

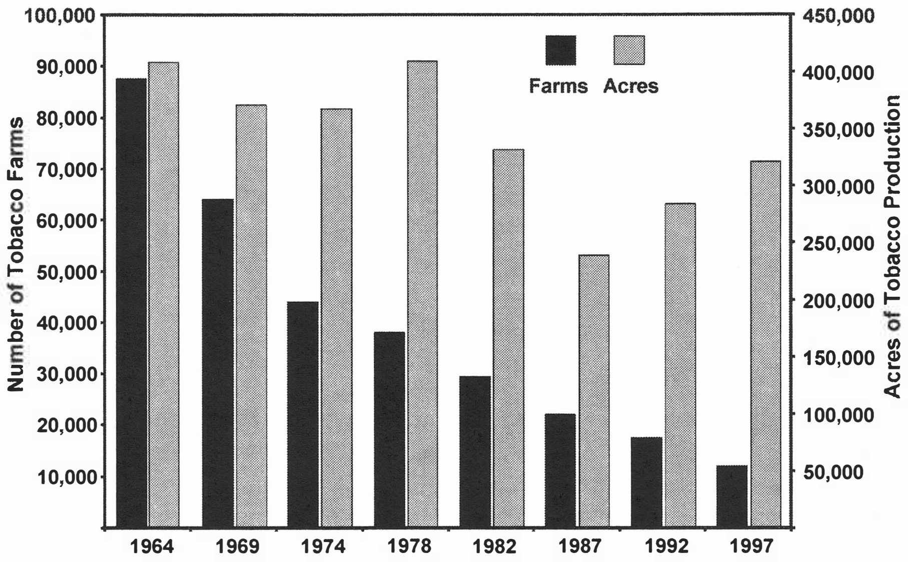

Figure 2. Farms and Acreage, 1964-1997

cal trends in tobacco production in North Carolina. The tobacco industry has undergone dramatic change in North Carolina. In five years, from 1997 to 2001, tobacco production dropped from 700 million pounds to below 400 million pounds. As is the case with agriculture in general, the number of tobacco farmers has dropped. Figures 3 and 4 provide a geographical snapshot of the tobacco industry in the state, highlighting both agricultural production and tobacco-related manufacturing. Currently, there are approximately 12,000 tobacco farmers in North Carolina. Without the tobacco program, which has prevented the buying up and combining of tobacco farms, the figure would easily drop to 2,000 farmers. The 1998 tobacco settlement had a tremendous economic impact. Statewide, 26,713 jobs have been lost along with $4 billion in output. In terms of Eastern North Carolina, the settlement resulted in a loss of 3,871 jobs and $248 million in output.

In the wake of these losses, the Rural Center conducted a series of workshops across the state in the summer and fall of 2000. Those workshops explained the changing tobacco industry and the newly established tobacco trust funds. More important to our purpose here, the public meetings allowed us to gauge local citizen opinion about how the state should respond to the decline in tobacco. Consistently, the Rural Center found the public wanting to preserve farming and rural communities, which are still seen as an important part of North Carolina. Workshop participants did not believe that all farmers should leave the farm and work in a factory. Rather, they wanted to talk about the risks of farming, what could be done to help younger farmers get into farming, and the viability of alternative crops along with value-added, local processing. There was also concern over broader economic issues, particularly since there are many part-time farmers and spouses working in the local community. What happens if there aren't jobs in the local community? The public was worried about infrastructure and the ability of the local communities to fund infrastructure. And they were very concerned about the provision of public services in rural areas in the face of falling land values, falling sales and property taxes, and

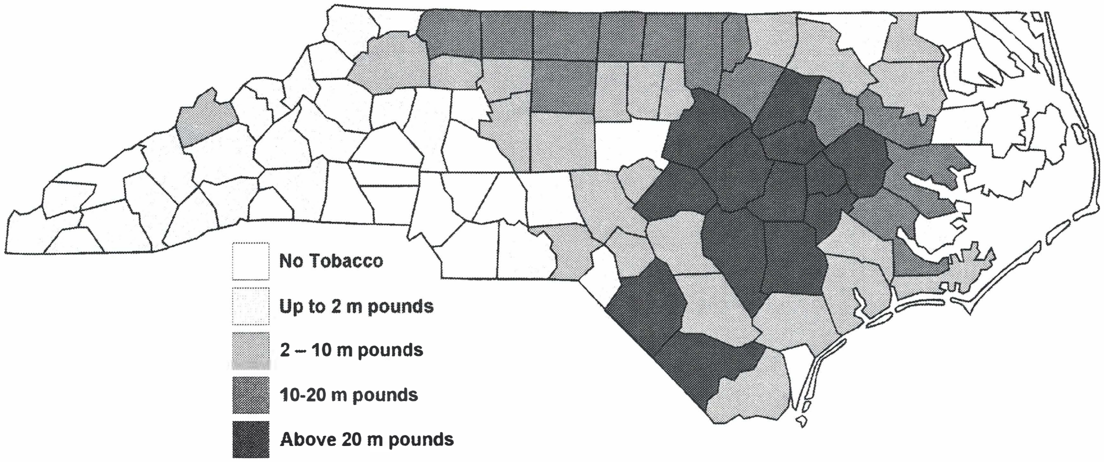

Figure 3. Tobacco Production in North Carolina

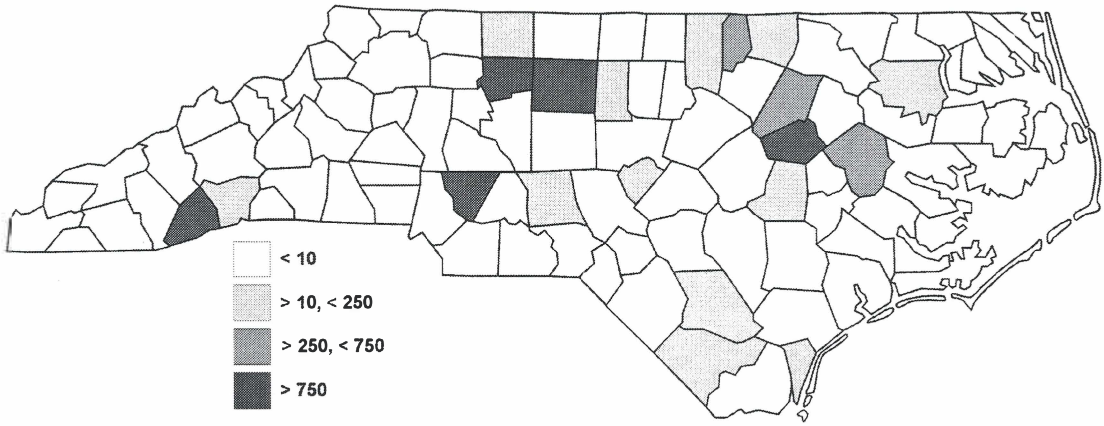

Figure 4. Tobacco-Related Employment by County

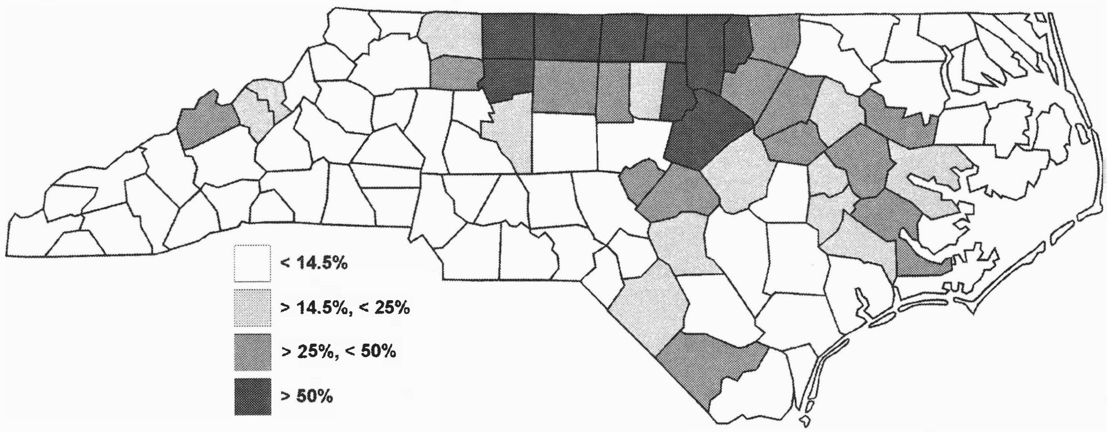

Figure 5. Tobacco as a Percent of Total Agricultural Receipts

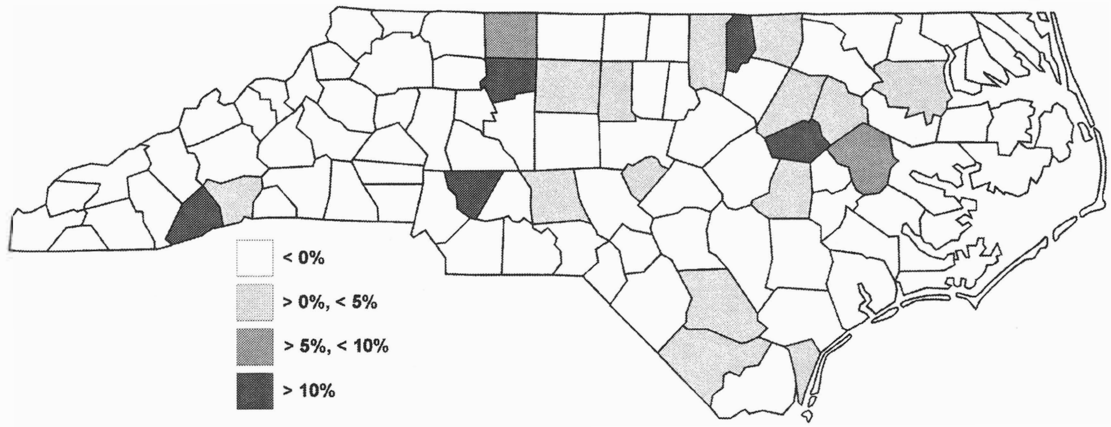

Figure 6. Tobacco-Related Manufacturing as a Percent of Total Manufacturing Employment

decreasing revenue levels, from the state level down to the local level.

The Rural Center also found regional differences in the perceived needs of tobacco-dependent communities. For instance, participants from the eastern part of the state (e.g., Lumberton, Farmville, and Ahoskie) expressed similar concerns over agriculture. And these meetings were often depressing because they came right after the flooding associated with Hurricane Floyd. Commodity prices were extraordinarily low and tobacco was continuing to decline. Attention centered around the issues of infrastructure and the new kinds of niche markets that can be created in order to keep farmers on the farm. In Farmville, significant discussion was devoted to the Global Transpark and how this asset could be used. In Ahoskie we spoke more about the needs of minority farmers, specifically African Americans. In addition to issues of infrastructure, marketing, and alternative crops, communities in the central and western part of the state (e.g., Reidsville, Winston-Salem, and Spruce Pine) expressed concern about preservation of farmland and the heritage of tobacco. The encroachment or spread of urban areas and bedroom communities was identified as an important issue. Recognizing variation in concerns is important when one works in different communities.

Differences in public concern over tobacco are related, in part, to the different ways in which we can measure tobacco-dependency. Community level tobacco dependence can be defined in terms of both agriculture and manufacturing. In addition to looking at production levels, we can measure tobacco production as a percentage of overall agricultural receipts (Figure 5). In other words, how important is tobacco within the agricultural sector? In some counties, seventy, eighty, or ninety percent of agricultural income comes from tobacco. Of course, dependency is not limited to farming but also includes tobacco-related manufacturing operations such cigarettes, stemming, and re-drying. For example, one can measure this form of dependence in terms of tobacco-related manufacturing employment as a percent of total manufacturing employment (Figure 6). When agricultural and manufacturing measures are combined, we are able to identify the most tobacco dependent of North Carolina's counties (Figure 7). Twenty-three (or sixty-six percent) of the thirty-five are located in the eastern portion of the state. The Rural Center will continue refining these measures of dependency because there are data limitations. For example, we do not know how many workers from other counties are driving into Winston-Salem (Forsyth County) to work in cigarette manufacturing plants.

Although statistics on tobacco dependence

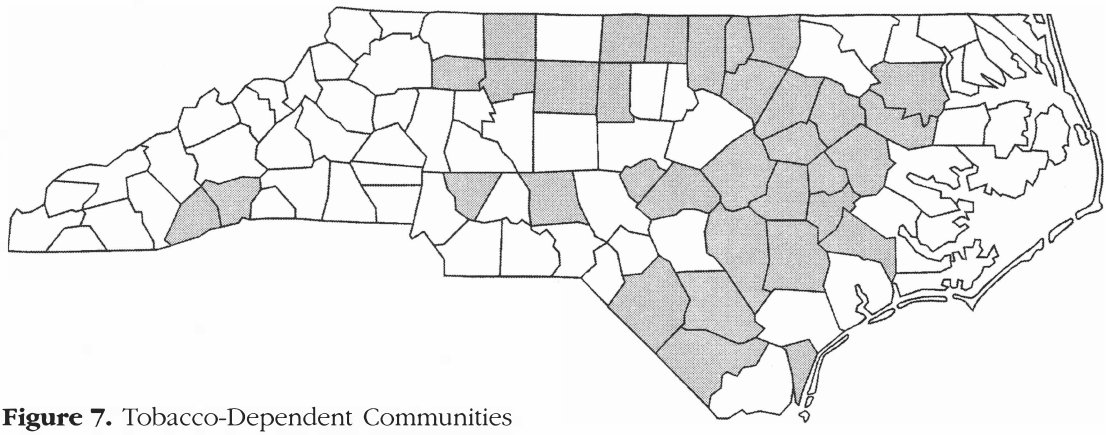

Figure 7. Tobacco-Dependent Communities

are insightful, analysts must also go beyond the data and examine specific local case studies. Working with the University of North Carolina-Chapel Hill, the Rural Center examined ten different communities. I have time to discuss only a few of them. Within these communities, we found significant differences in the nature of farming and manufacturing issues, as well as other factors affecting community economic response to tobacco's decline (Figure 8).

No single policy intervention is "the answer" for all four counties. In the case of Greene and Forsyth counties, the answer is perhaps infrastructure development and farmland preservation, respectively. Meanwhile, Vance County should pursue workforce training while Yancey should investigate alternative markets for crops. In summary, there is need to dig beneath the statistics and understand each tobacco community's unique economic challenges.

In closing, I would like to emphasize that North Carolina agriculture no longer has the ability to drive our state. It is a fairly small part of the economy. Although extraordinarily important, tobacco itself is only five percent of our gross state product. While we want our communities to have a healthy agricultural sector, one has to think about how farming fits with everything else that is going on economically. One has to have jobs for the spouses of farmers and they need to be good jobs. We want health care in those jobs because farmers often cannot afford it. In addition, how can we help workers be more productive and attract industry that will replace income lost as tobacco and textiles decline? We need to start thinking outside of the box and begin taking advantage of opportunities coming into our communities.

County	Tobacco Farming	Tobacco Manufacturing	Other Factors Affecting Response
Forsyth	123 farms; $30 in receipts per capita; Size of farms increasing; Limited amount of crop diversification	27% of manufacturing employment; Declining employment since 1987	Changes in banking sector means job loss; Continued urbanization puts pressure on tobacco farms
Greene	179 farms; $1497 receipts per capita; Size of farms increasing; Some farmers pursuing alternatives	No tobacco-related manufacturing	Infrastructure constrains development; Affected by layoffs in surrounding counties; Limited industry and non-agr. tax base
Vance	125 farms; $404 receipts per capita; Fewer farmers as they sell off and take non-farm jobs in Raleigh	11% of manufacturing employment; Likely to lose major plant in 2 years	Job losses in textiles; Few independent businesses; Lack of trained labor force for new industry; Interstate corridor location
Yancey	365 farms; $150 receipts per capita; Farms consolidating and some crop diversification	No tobacco-related manufacturing	Small tier 1 county with recent job losses; Weak economic base in retail: Planned 4-lane road will reduce travel time to Asheville

Figure 8. A Closer Look at Four Tobacco-Dependent Counties