RAFI's Tobacco Farmer Survey Results

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Note: The following presents preliminary results of the Tobacco Farmer Survey. The final report may be accessed at www.rafiusa.org/tobacco/tobsurveyreportscreen.pdf. Please do not cite the following without contacting RAFI or consulting the final report.

Thank you all for coming back together, and thank you to everyone for putting this conference together. I am going to talk a little bit about the tobacco farmer survey that RAFI has conducted in cooperation with Wake Forest University. We have been conducting this survey over a several-year period. In 1997 we started interviewing 1,200 tobacco farmers in fourteen North Carolina counties, which are the top producing flue-cured tobacco counties in Eastern North Carolina. The survey asked farmers about their family situation, agricultural production, activities to cope with changes in the tobacco industry, and attitudes about the future of the industry and their options. We interviewed the same farmers again in 1999, and we just completed, in 2001, a third survey that tried to look at the changes in what farmers are doing and how they see the future, in order to get some sense of what would be helpful to them. The 2001 survey includes those who were farming tobacco in 1997 but had gotten out of tobacco by 2001. Nearly one in five of the tobacco farmers surveyed in 1997 are no longer farming tobacco.

It is a rule in our organization to ask rather than to tell the farmers. So we use the survey as one of the tools in finding out what the farmers are thinking, and to help us decide how best to support farmers and tobacco communities during these difficult times of change. Looking at the near certainty that there would be a decline in tobacco income, and looking at what farmers told us about the barriers to increasing income from other on-farm sources, we designed the Tobacco Communities Reinvestment Fund project, which is depicted in the video I will show after commenting on the survey results.

Figure 1 below shows results of the question, "What stands in the way of increasing your income from the other things you are doing on the farm or from other farm enterprises besides tobacco?"

Barriers	2001	1999
Place to sell	76%	78%
Lack of capital	69%	72%
Lack of low interest loans	67%	67%
Low labor supply	79%	78%
Lack of processing	82%	82%
Need added skills to grow	51%	55%
Lack of support from leaders	56%	58%
Equipment not convertible	60%	NA
Nothing as profitable	87%	93%

Figure 1. Barriers to Increasing Income from other Crops or Enterprises

The key barriers did not change a lot between 1999 and 2001. The top ones, as you can see, are not having a market or a place to sell goods, a lack of capital or a lack of low interest loans, lack of labor supply, and lack of processing. Those were the top ones; the key ones. We used this information to help us design the Reinvestment Fund Project that you are going to see a video about shortly.

The next figure (Figure 2) addresses a question about what people were doing to deal with the reductions in tobacco quota. And the first strategy is what most business people use, to cut costs. That was the answer given most often, but very close to this was the response "keep on doing what I am doing." It is very interesting that the manner of the response "I'm going to keep on doing what I'm doing" changed quite a bit from 1999 to 2001. Eight percent fewer are relying on this. Others really put an emphasis on increasing their investments in non-tobacco activity; 5% more than in 1999. A few were going to get an off-farm job (slightly more than in 1999), and some were increasing their tobacco production. I think this reflects some of the comments Blake Brown and others made earlier. A few were getting out of tobacco and a few were retiring, but far and away, people were intending to stay on the farm. Now whether they can do it or not is another story, but that is what the intent was.

Coping Strategies	% Response
Cut production expenses	22
Keep doing what I have been doing	20
Increase investment in non-tobacco	11
Get off-farm job	9
Increase tobacco production	7
Get out of tobacco	3
Retire	2
Other	26

Figure 2. Coping with Reductions in Quota

Figure 3 indicates responses to the question "How are people spending their tobacco settlement money?" In part, we were looking at whether farmers are interested in investing in other kinds of enterprises. But what we learned is that clearly people need to put it into fundamentals like paying off debts and retirement funds. About 11% indicated investing in another business, and about 6% are expanding or diversifying their farm operations.

Intended Expenditure	% Response
Pay off debts	40
Retirement Account	24
Another business	11
Expand or diversify	6
Retirement	4
Other	15

Figure 3. Expenditure of Tobacco Settlement Funds

The final figure (Figure 4) illustrates answers to the question "Why did you get out of tobacco?" Between 1997 and 2001 about 18% of the farmers we had surveyed had left tobacco. About a third of them had retired. Almost a third again said that it is not profitable enough, which is important to hear since very often we also hear the response that nothing

Reason	% Response
Retired	30
Not enough money	29
Poor health	9
Tired of farming	5
Pushed out/cuts	4
Turned over/sold	4
Off-farm job	3
New business	3
Lacked labor	2
Government regulations	2
Other	9

Figure 4. Why Farmers are getting out of Tobacco

else is as profitable as tobacco. But even at that, for about a third of people, it is not profitable enough to continue farming. Eight percent cited poor health, 5% were plain tired of farming, and 3% each said they had taken an off-farm job or had turned over their farm to another family member or had started another business. Two percent said other crops were more profitable than tobacco. So, just to reiterate, nearly 1 in 5 of the people we surveyed in 1997 are no longer in tobacco.

I am just going to tell you a few more things about the survey group and I will try to keep that part short so we will have time enough to watch the video, which might be a little bit more interesting than me standing up here talking. The group surveyed was a stratified sample. So we had equal representation of small, medium, and large farms. The survey was not skewed toward one size farm or another. The age representation is probably what many of you would expect. About 10% were under 40 years of age, the biggest group was the 40 - 60 age group (62%), but a very meaningful 28% were over 60 looking towards retirement. This reflects the graying of the farm population in general, but tobacco farmers may not be as gray as the rest of the farm population. We utilized telephone surveys of about 30 minutes, and we had a 97% response rate. People wanted to take that much time to talk about what was going on, which is pretty unusual in the survey business. Most of the respondents were male. They identified themselves as the key operators, which is who we asked to speak to. Eight percent of the respondents were female. Only about 20% were working off the farm in 2001, but 47% of spouses were working off the farm, and 84% of those spouses working off the farm work full time. Nevertheless, the dependency of tobacco farmers in this survey group on off-farm income is way below what it is for the rest of the farm population. This again, I think, reflects the profitability of tobacco. And when we asked people why they were not working off the farm, the answer given most often was "I'm too busy with my farming." Finally, it may be interesting to some of you to know that 71% of the farmers we interviewed do not smoke or chew.

Ninety percent of the farmers surveyed had received tobacco settlement money so we asked them "What portion of income losses were covered by the settlement funds received?" For 38% of farmers, the settlement only replaced about 10% of the lost income. For 79% of the respondents, the settlement replaced 75% or less of lost income.

We then asked for opinions about diversifying income, and the majority thought it was very important to do that. Sixty-six percent were very interested in trying to find a supplement for their tobacco income or to replace it. We asked, "If the tobacco program ended, what would you do?" Forty-two percent said they would either stop growing or grow less. We asked "Do the tobacco companies want to end the tobacco program?" Seventy-six percent said "yes." We asked, "Would Congress be eliminating the Tobacco program?" Sixty-three percent said "yes." So we can see people know that the tobacco program is on its way out. I think a lot of our speakers have said that, but I think the farmers know that. We asked "If your children came to you tonight, would you recommend to them that they raise tobacco?" Sixty-five percent said "no." We asked, "Do you expect to give up growing tobacco?" and 31% said "yes." They themselves expected, not just of their children but of themselves, to give up tobacco. We said, "Will you give up growing tobacco on your farm in one year?" and only 10% said "yes." But then when we asked, "In 5 years will you be growing tobacco on your farm?" 66% said they would not. It increased dramatically. So I think the handwriting is on the wall to a lot of farmers. One more relevant point supporting this expectation is the price per pound. We asked, would they grow tobacco for $1.75 per pound, and 71% said "yes." When we asked if they would grow tobacco for $1.50 per pound, however, only 19% said "yes." I think we were talking earlier about the program going away, going to world price level. That, again, says a lot about what people think they will be doing if those changes come about.

We also asked about steps people were taking to learn about other profitable businesses or to try out other profitable on-farm enterprises. The biggest thing people were doing is visiting other farmers who have a profitable business which, I think, tells a lot of us who are trying to do supportive work, what is the best way to learn or what is the best way to be helpful. Another fairly large response was either reading about it or attending an on-farm tour or demonstration, and then also, going to informational meetings. These are kind of the main things people are doing, but the biggest thing was learning from another farmer.

We used this survey, as I said earlier, to help us design a project back in 1997, which we called the Tobacco Communities Reinvestment Fund. Now that we have a Tobacco Trust and the Golden LEAF Foundation it sounds sort of redundant, but at the time there had been no settlement agreement and none of those good pieces of work that you have heard so much about today. So we decided to do a pilot program in 6 counties in North Carolina. Some of the projects that people are doing include several green house projects growing high-value produce off-season. A lot of people have these facilities, and up to now they have been a single purpose facility. Some people are trying to look at something that is effective for whole communities, for example, working as a group trying to turn on-farm waste into something value-added such as fertilizer. Another of the community projects is the farmers' markets. As far as individual initiatives, there is a real range. My favorite is "pick your own grapes" and "catch your own catfish." A gentleman down in Columbus County started a project to create a recreational opportunity and also cut out some of the cost of harvesting the fish and harvesting the grapes by having people come and pick their own. He built a grading station and put in his ponds and his grapes. He was actually irrigating the grapes with the water from the pond—trying to make more out of the whole system.

A group in Johnston County identified twelve different language groups right in their immediate area for whom goat meat was the preferred meat. Part of their market survey was to find out what cuts, what age of goat, what would please the customer, what the customer wanted. It varied a lot by different ethnic groups but the market is there, and there is also a fair market at the restaurant level. And then there is the market, really, of the whole East Coast that is not being filled. The biggest issue that the Johnston County Co-op found was not the marketing but the processing—that is, trying to find the capital to create its own processing operations. The capital was a barrier, but so was finding affordable processing that somebody else was doing.

A lot of the time, a project consists of looking at what people are already producing and figuring out an innovative marketing strategy, or some further processing a farmer can do to capture more income. For example, among the farmers we surveyed, soybean is the second most commonly grown crop. We had a soybean producer who is still growing soybeans, but he shifted to growing soybeans especially for the Japanese market. A lot of times it is not so much about finding something new to grow. Ninety-seven percent of the farmers we surveyed are growing lots of other things besides tobacco. They are just not making money from that. So for the farmer, it is more about knowing before planting a crop what he is going to do with it.

We had seventeen projects overall, and they are summarized in a report that is available from RAFI entitled "Agricultural Reinvestment." This video that you are about to see focuses on 6 of the projects and also on the general way that the pilot program operated, and there are a few lessons in it. A good teacher of these lessons are the farmers that are in the crowd, and I suggest you talk to them on the side or ask questions when we get to the question and answer part. The project was made possible by generous grants from the Robert Wood Johnson Foundation, the Z. Smith Reynolds Foundation, and the Duke Endowment Rural Church Division. Thank you for your attention.

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