



NGA Center for  
BEST PRACTICES

# Issue Brief

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## Tobacco Growing States: Balancing Agriculture Development with Youth Tobacco Prevention\*

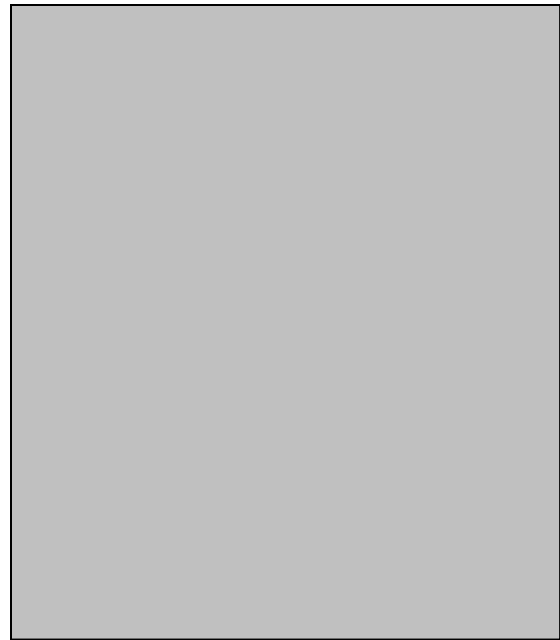
### Summary

Facing significant declines in demand for American tobacco, tobacco growing states are working to revitalize agriculture and reinvent economic development in their tobacco growing communities while simultaneously attempting to protect youth from the health hazards of tobacco.

Despite these challenges, states that depend on tobacco production also have put significant efforts into youth prevention programs. These states have used Master Settlement Agreement (MSA) and National Tobacco Grower Settlement (Phase II) resources to develop programs that educate their citizens about the harmful effects of tobacco use and educate their citizens about agriculture.

At the request of **Kentucky** Governor Patton, the NGA Chairman, NGA convened agriculture and health leaders from ten tobacco growing states to share progress and best practices in preventing youth tobacco use while advancing agriculture and economic development. This paper reflects lessons learned from that meeting. States are maintaining balance in agriculture and tobacco prevention by:

- **Establishing agricultural development foundations** to manage and distribute settlement funds.
- **Implementing agriculture and economic development initiatives** that assist farmers and communities in adopting new farming practices while reducing community economic dependence on tobacco.
- **Conducting tobacco prevention and cessation programs** to reduce the harmful effects and social dependence on tobacco.



## The Challenges for Tobacco Growing States

### Economic Impact of Declining Tobacco Consumption

Tobacco growers and tobacco growing states have struggled financially because of significant drops in demand for U.S. tobacco domestically and internationally. The loss of tobacco farms and the economic support they provided to their communities has affected tens of thousands of tobacco farmers and more than 20 states. Loss of tobacco farms and income they generate has had disastrous repercussions for tobacco-dependent communities.

The decline in demand for U.S. tobacco is due primarily to four main factors.<sup>i</sup>

- **Significant drop in demand for U.S. grown tobacco and an increase in demand for foreign grown tobacco.** In the last 20 years, more than half of U.S. tobacco farms have gone out of business. U.S. tobacco farmers now claim a much smaller portion of the world tobacco market. Their share of all tobacco exported around the world fell from more than 25 percent in 1960 to less than 10 percent in 2000.
- **Reduced consumption resulting from increased public health outreach and education.** Since peaking in 1981, the number of cigarettes smoked in the United States gradually but steadily fell about 1.5 percent per year until 1998. From 1998 to 1999, sales fell 6.5 percent. Sales are expected to decline 2 percent per year in the future. Overseas efforts to reduce smoking are also accelerating, threatening a lower global demand for cigarette tobacco, including tobacco grown in the United States.
- **Aggressive competition from cheaper foreign-grown tobacco.** U.S. cigarette manufacturers have increased overseas manufacturing, which has reduced the export of U.S. cigarettes to foreign markets. Cheaper labor costs and more relaxed labor, health, and safety standards in foreign locations allow many countries to produce tobacco more cheaply than the U.S.
- **High costs to modernize processing facilities.** While sales and prices drop, tobacco growers face additional costs to raise crops. Cigarette manufacturers have placed increased demands for growers to pay for marketing tobacco and retrofitting facilities and barns. Growers also pay most of the costs of operating the federal tobacco program through a clause that ensures the program operates at no cost to taxpayers.

### Establishing Agricultural Development Foundations

States have created foundations and boards to supervise the distribution of their MSA and Phase II funds to tobacco farmers and quota holders. Tobacco growers<sup>ii</sup> and quota owners receive direct payments to compensate them for lost wages from the decline in tobacco demand. The Phase II funding is constructed to provide states with money to pay tobacco growers and quota owners for the next 12 years; however, several states have implemented direct payment programs using their MSA I funds.

**Georgia** created the OneGeorgia Authority to assist with the economic development of challenged areas, specifically farmers in tier 1 and tier 2 counties that are areas in the state ranking high in unemployment and poverty rates and low in per capita income.<sup>iii</sup> Approximately one-third of Georgia's MSA funds sponsor the OneGeorgia Authority, an estimated \$1.6 billion for the next 25 years. This funding supports their EDGE and Equity Funds.

**Indiana** invested in tobacco community redevelopment by using a portion of its MSA funds to build the Tobacco Farmers and Rural Community Impact Fund. The Fund provides aid to rural communities to preserve and maintain family farms and to assist tobacco farmers during transition. The advisory board for the Fund includes legislators, growers, quota owners, and rural economic development experts. The board reports to the Lt. Gov. Pearson, the Commissioner of Agriculture.

**Kentucky** Gov. Paul E. Patton demonstrated his strong commitment to agriculture and economic development by creating the first Governor's Office on Agriculture Policy (GOAP) in 1998. The Kentucky Legislature, with support from Governor Patton, continued this historic commitment in 2001 by investing half of Kentucky's MSA to agricultural diversification through the Agricultural Development Fund (ADF). The GOAP provides staff to the Agricultural Development Board and assists in the distribution and management of the funds, which in 2003 amounted to \$117 million. The Kentucky Tobacco Settlement Trust Corporation also is administered by the GOAP, maintaining an administrative cost of less than 1 percent. Through the Kentucky Center for Agricultural Development and Entrepreneurship, GOAP provides statewide educational training and technical assistance to Kentucky farmers. In addition to MSA and Phase II fund management, the Office also administers:

- the Governor's Commission on Family Farms
- the Kentucky Agricultural Resource Development Authority
- the Governor's Tobacco Marketing and Export Advisory Council
- the Kentucky Aquaculture Infrastructure Development Fund

**South Carolina** is the only state to use all of its MSA and Phase II funds to compensate directly tobacco growers and quota owners. The South Carolina Tobacco Community Development Board is the nonprofit organization constructed to monitor the *Phase I Trust Fund* (MSA) and the *Phase II Trust Fund*. The Phase I Trust Fund will distribute \$108 million to tobacco growers and quota owners who grew or owned tobacco quota in 1998, 1999 or 2000. The Phase II Trust Fund has \$357 million intended for qualified growers and quota owners in different amounts over a 12-year period.

### **Implementing Agriculture and Economic Development Initiatives**

States that traditionally have depended on tobacco production and consumption to support the economy are securing the viability of their communities by investing in farmland redevelopment and by introducing new products and industries into their communities. They are awarding grants and loans to organizations or individuals to sponsor:

- agricultural diversification for tobacco farmers seeking to use new crops or to find innovative ways of using their existing crops
- entrepreneurship and development of new products or technologies,
- education and training for tobacco impacted farmers and communities, and
- community infrastructure improvement.

### ***Agriculture Development Projects***

In **Indiana**, the Tobacco Farmers and Rural Community Impact Commission established agricultural grant and loan programs to help tobacco quota owners and growers working together to make a transition from tobacco production to other agricultural enterprises. The Commission also supports academic research, marketing of crops, and the purchase and repair of farm equipment.

**Kentucky**<sup>iv</sup> made a historic effort to diversify away from tobacco production while revitalizing the farm economy by investing 50 percent of the state's MSA into the Kentucky Agricultural Development Fund. Two-thirds of the Fund is set aside for regional and statewide agricultural projects, while one-third is earmarked for individual counties on the basis of their tobacco dependence. Since its inception in 2001, the Agricultural Development Board has reviewed over 1,600 proposals and approved over 900 proposals, committing over \$102 million to an array of county, regional, and state projects designed to increase net farm income and to create sustainable new farm-based business enterprises. The program has invested an array of projects, including medical research for medically therapeutic uses of tobacco, construction of agriculture

facilities, acquisition of new equipment, conversion of tobacco facilities for alternative uses, and training of farmers seeking alternative crops.

**North Carolina** devoted a significant portion of its tobacco settlement funds to assist agriculture communities. Of North Carolina's MSA funds, 50 percent was allocated to the Golden Long-term Economic Advancement Foundation (GoldenLEAF), and the remaining 50 percent was split evenly to established the Tobacco Trust Fund and the Health & Wellness Trust Fund. GoldenLEAF grants monies for agriculture, economic development, workforce preparedness, job training, research, and development of new markets for agricultural products. For example, the GoldenLEAF invested in the development of a wine grape industry in Surry & Yadkin counties. A grant of \$130,000 from GoldenLEAF spurred a \$10 million investment for new vineyards, restaurants, and expansions in agricultural supply businesses.

**Ohio** created the Southern Ohio Agricultural Community Development Foundation to assist farmers in sustaining their farms through educational assistance grants and through diversification and improvement of agriculture, livestock operations and livestock herds. The Foundation pays eligible tobacco farm owners \$500 per acre so the state can keep a portion of property in perpetuity for non-tobacco agricultural production.

The Foundation also has partnered with the Ohio Appalachian Center for Higher Education to launch an educational pilot project aimed at assisting tobacco farmers seeking new career opportunities and providing their dependents with financial support through college.

### ***Economic Development Projects***

The **OneGeorgia** Authority provides grants and loans for health, welfare, safety, and economic security projects throughout the state through its Equity and EDGE funds. OneGeorgia aims to develop and retain jobs as well as to build needed infrastructure for community and economic development. The Equity Fund provided \$5.5 million in grants and \$2 million in loans in 2002 for biotechnology, high-tech jobs, training facilities, and construction of farmlands. Through its EDGE Fund, OneGeorgia provided financial assistance for local governments to secure the relocation or expansion of companies from another state.<sup>v</sup>

**Tennessee** has launched a statewide comprehensive marketing campaign of all Tennessee farm/agriculture products (<http://www.picktnproducts.org>). The Tennessee Department of Agriculture is marketing products in international and domestic markets. A particular focus of both the international and domestic marketing efforts is markets for alternative or non-traditional products that can generate non-tobacco farm income. State marketing specialists assist farmers in developing value-added farm enterprises; a current effort seeks to develop and promote agri-tourism as an income producing farm business. The state Departments of Agriculture and Economic and Community Development also target agri-businesses for recruitment/development. Priority is placed on those industries that utilize farm products produced in the state. Tennessee developed an "Ag Tag," specialty license plate with a distinctive logo; proceeds from the sale of these plates goes to the Tennessee Agricultural Development Fund and funds are dispensed by the Department of Agriculture to support market development activities, agricultural youth organizations, and agricultural and forestry awareness.

**Virginia** created the Tobacco Indemnification Community Revitalization Commission to fund educational and workforce training programs through colleges in Southern Virginia. College scholarships and loan programs are available for individuals interested in furthering their education. The Commission created the Tobacco Region Opportunity Fund to offer grants or loans to specific projects that aim to improve tobacco affected areas by creating new jobs and investments through business expansion or attraction. Currently, the Commission is funding preliminary engineering and design layout of fiber optics in 11 industrial sites.

### Conducting Tobacco Prevention and Cessation Programs

Tobacco growing states, where the risk of tobacco-caused diseases and deaths is higher than the national average, have been national leaders in modeling their tobacco prevention programs on the CDC guidelines.<sup>vi</sup> Georgia, Indiana, Kentucky, Missouri, Ohio, Virginia and West Virginia have adopted the guidelines. As with other non-tobacco growing states, from 1997 to 2001, Missouri, Tennessee and Virginia reduced adult smoking rates. In the same time period, tobacco growing states saw reductions in youth smoking rates (Table 1).

State	1997	2001
Kentucky	47.0	33.0
Missouri	40.3	30.3
North Carolina	35.8	27.8
South Carolina	38.6	27.6
Tennessee	38.6	29.1

Source: Centers for Disease Control and Prevention, Youth Risk Behavior Survey, 2003.

**Indiana** Governor Frank O’Bannon created the Tobacco Use Prevention & Cessation Executive Board with MSA funds. The Board coordinates and allocates resources to fund state-wide media campaigns, community-based programs, enforcement of youth access laws, evaluation and administration. In April 2002, a youth summit on tobacco prevention at which 300 teens came together to form VOICE, a youth empowered movement to educate and mobilize young Hoosiers around tobacco prevention. VOICE is a campaign designed, implemented and run largely by young people. To get out their message, VOICE uses multimedia campaigns, including radio, television and Internet (<http://www.voice.tv>), as well as community-based activities.

The **Ohio** Tobacco Risk Reduction Program uses CDC and MSA funding to conduct tobacco control initiatives statewide. The program currently funds 14 local prevention grants; the state’s cessation program, *U Can Do It! -Tobacco Free for Life*; and data collection of state and local tobacco rules, regulations, and laws. Ohio also created the Tobacco Use Prevention and Control Foundation<sup>vii</sup> and allocated \$1.2 billion over the next 12 years to sponsor community organizations, and research related to preventing and tobacco cessation. The Foundation is an independent public-private partnership and is permitted to raise other funds to enhance its current funding and activities.

**Virginia** is working extensively on tobacco youth prevention and cessation through health department and foundation efforts. The Department of Health’s Tobacco Use Project works with the American Cancer Society and the American Heart Association on Teens Against Tobacco Use (TATU), a curriculum that teaches high school students about tobacco, and also gives them skills for facilitating and training younger children.<sup>viii</sup>

**CDC Comprehensive Tobacco Control Guidelines**

es for Comprehensive  
s on proven strategies for  
e comprehensive tobacco prevention and cessation  
educate disease, disability,  
and death related to tobacco use by:

- preventing the initiation of tobacco use among young  
ng people and adults;  
re to environmental  
sparities related to  
different population

The Virginia Tobacco Settlement Foundation, founded with the state’s MSA monies, provides funding to local organizations for youth tobacco prevention. The Foundation has committed \$4 million annually to its Research Consortium that allows Virginia universities to examine biological factors involved in tobacco addiction. The Foundation also functions as a regulatory agency that investigates retailers’ obedience with state law that prohibits tobacco sales to minors.<sup>ix</sup>

As part of his state’s tobacco prevention strategy, **West Virginia** Governor Bob Wise successfully raised the state’s tobacco tax \$.38 to \$.55 in 2003. West Virginia divided the MSA monies into two funds, the Tobacco Settlement Fund and the WV Tobacco Settlement Medical Trust Fund. Monies from the Tobacco Settlement Fund support the Department of Health and Human Resources medical facilities, and the Division of Tobacco

Prevention (DTP). Fifty percent of West Virginia’s MSA funds (approximately \$5.85 million) are allotted to the Division.

DTP focuses its efforts in three main areas: clean indoor air regulation, cessation programs, and youth tobacco prevention programs. DTP trains providers on tobacco cessation, and sponsors community based tobacco cessation initiatives. West Virginia has a successful tobacco cessation Quit Line for the uninsured, underinsured, and college students and includes access to the nicotine patch and five to six scheduled personalized phone coaching sessions. The tobacco youth prevention program is called RAZE (<http://www.razewv.com>), which uses a youth empowerment model where youth are integral in design, advocacy and implementation. The West Virginia University Prevention Research Center worked with the American Lung Association and schools and communities in West Virginia to develop and evaluate a smoking-cessation program for teenagers called Not On Tobacco (N-O-T).

## Conclusion

States have been successful in redeveloping farmlands, creating opportunities for innovation in agriculture and economic development and tobacco prevention programs. Their efforts, along with the MSA and Phase II programs, are reflected in reduced smoking rates and in promising new approaches to using tobacco farmlands and facilities. Governors have maximized the opportunity of both tobacco settlements to invest heavily in moving their state economies and their residents away from tobacco dependence.

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<sup>i</sup> “Tobacco at a Crossroad: A Call for Action. Final Report of the President’s Commission on Improving Economic Opportunity in Communities Dependent on Tobacco Production While Protecting Public Health.” May 14, 2001.

<sup>ii</sup> This includes anyone who shares in the “risk” of producing burley tobacco. Someone is considered to have shared in the risk if any financial gain was dependent upon the sale of the crop. A grower could include farm owners, landlords, managers, tenants, sharecroppers or quota owners who grew tobacco.

<sup>iii</sup> <http://www.onegeorgia.org>

<sup>iv</sup> <http://www.kyagpolicy.com>

<sup>v</sup> *Ibid.*

<sup>vi</sup> Centers for Disease Control and Prevention. Best Practices for Comprehensive Tobacco Control Programs--August 1999. Atlanta GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health. Reprinted, with corrections, August 1999.

<sup>vii</sup> Senate Bill 242. [http://www.legislature.state.oh.us/bills.cfm?ID=124\\_SB\\_242](http://www.legislature.state.oh.us/bills.cfm?ID=124_SB_242)

<sup>viii</sup> <http://www.vahealth.org/tobaccocontrol/servtuc.htm>

<sup>ix</sup> Code of Virginia, Chapter 14, section 32.1-355.