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## After tobacco buyout, farmers scale back crop

Some bank on higher yields

By **Marcus Green**

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The Courier-Journal

David Chappell's springtime tobacco planting ritual hasn't changed. He still trims the young burley plants he plans to set this week and tills the fields where he'll raise another crop of leaf.

It's everything else that is different this year.

For the first time since the 1930s, Chappell and other growers are not bound by production quotas. The \$10.1 billion buyout passed by Congress last year ended the Depression-era system and opened a free market in which farmers can grow as much tobacco as the market will bear.

But with tobacco prices down sharply and the high cost of renting an off-the-farm barn to hang his burley, Chappell will scale back his planting to 30 acres from 60 acres last year.

Like Chappell, Kentucky farmers overall don't intend to plant as many burley tobacco acres this year. An estimated 73,000 acres are expected to be set this spring, a 33,000-acre drop from 2004, according to the Kentucky Agricultural Statistics Service.

Chappell, who farms near Owenton, Ky., acknowledges he's nervous about the first year of free-market tobacco.



David Chappell, who farms near Owenton, Ky., looked at a tobacco plant. He acknowledged he's nervous about the first year of free-market tobacco. "I hope it goes good. I don't want to increase." (BY PAM SPAULDING, THE COURIER-JOURNAL)

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"I hope it goes good. I don't want to increase," he said as he got ready to till a field. "In fact, I'll probably cut back even a little bit more."

Most growers in Kentucky won't change how they sell tobacco. Even before the buyout, the large majority of tobacco grown was sold to cigarette makers through contracts that had supplanted the auction process.

Yet these are uncertain times for farmers continuing to raise tobacco.

Cigarette companies paid an average of \$2 per pound for tobacco last year, but have dropped prices by about 50 cents. And without the quotas that tied tobacco growing rights to specific tracts of land, farms in other states are free to raise the crop. Federal planting surveys indicate that Pennsylvania farmers this year plan to venture into burley, the most commonly grown tobacco in Kentucky.

"We know that funding has been made available now to do some research on growing burley tobacco in eastern North Carolina -- areas where you normally have not seen burley tobacco grown," said Keith Rogers, executive director of the Governor's Office of Agricultural Policy in Frankfort.

In the new tobacco market, farmers don't have to pay to lease additional quota to compensate for federal cuts that slashed the amount of leaf growers could raise. But they may have to be more productive to stay in business.

An acre of burley has yielded an average of 2,100 pounds during the last 25 years in Kentucky, said Will Snell, a University of Kentucky agricultural economist. Snell believes growers yielding that amount will have trouble surviving in the new market.

But Snell also said that while some farmers may be able to produce above-average yields, it will be "challenging" to have a statewide average of 2,500 pounds per acre.

Farmer David Wimpy, who plans to set 30 acres of burley in Western Kentucky's Christian County, said he's getting \$1.50 to \$1.55 per pound this year.

"Honestly, if I make any less than 2,500 (pounds per acre), I'm going to lose money," Wimpy



Shane Scott, an employee on Chappell's farm near Owenton, used a converted lawn mower to clip the tops of tobacco plants to make them the same size in preparation for planting.

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said.

Some growers who plan to stay in tobacco want to be able to use tobacco-settlement funds -- money that has gone to diversify the state's rural economy away from tobacco -- to keep raising leaf.

Wimpy is among a group of farmers asking the Agricultural Development Board, which distributes the settlement money, to allocate funds for tobacco.

"Does it want to endorse (tobacco) growers like they've done in every other commodity out there?" Wimpy said. "That's all we're asking: Just treat us as fairly as the others."

Rogers, who heads the governor's agricultural policy office, said the matter could be discussed Friday at the board's meeting in Frankfort.

"From a state agricultural standpoint, we need to take a look at what we can do to make sure we keep tobacco production in Kentucky and fill that marketing need," Rogers said.

Kentucky dedicates half of its annual payments from tobacco companies as part of the Master Settlement Agreement of 1998 to help farmers find alternatives to tobacco. The agricultural development board has awarded an estimated \$170 million in an effort to diversify the state's agricultural economy away from tobacco.

Tobacco-dependent counties receive a share of the money, while other state funds go to projects such as regional co-operatives and other projects. The board, however, has been reluctant to use state money for individual farmers -- and is unlikely to change, Rogers said.

But Rogers said one likely scenario is the creation of a farm-improvement program dedicated to tobacco growers. Kentucky has 13 such programs administered by individual county councils, which submit funding requests to the state board.

State Sen. Joey Pendleton, who serves on the General Assembly's tobacco oversight committee, said he would have opposed using settlement money for tobacco farmers just a year ago. He's since changed his mind.

"If Toyota was leaving Kentucky, we'd do everything under the sun to keep Toyota in Kentucky. I look at the tobacco industry the same way," said Pendleton, a Hopkinsville Democrat.

But another member of the committee, Sen. Charlie Borders, R-Russell, said the market for tobacco continues to diminish. Borders believes tobacco-settlement money should be used for other farm ventures.

"I've got to believe that the legislative intent was to allow our farmers to diversify and to get into things other than tobacco," Borders said. "Because that's what the settlement was about."


One alternative may be a step the Lexington-based Burley Tobacco Growers Cooperative Association's board of directors chose to take last Wednesday. The board voted to set aside \$3.5 million in funding for infrastructure for farmers who choose to stay in tobacco.

Danny McKinney, the co-op's CEO, said the money could be put into the tobacco-settlement proposal or offered to farmers in the states the co-op serves.

Chappell, a board member, said growers could use the fund to build barns and upgrade equipment used to produce tobacco. "There's always equipment you can add," he said.

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