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Amid uncertainties, some tobacco farms grow



P. Kevin Morley / Times-Dispatch

“It’s gone to a volume crop. You have got to raise a lot of acres to make money,” said Timmy Ferrell, Charlotte County tobacco farmer.

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Farming, David Ferrell says, "is all I ever wanted to do."

At age 20, the recent Virginia Tech grad sees a good future in farming, even for tobacco, a crop that has sustained his family's farm in Charlotte County for several generations.

Despite the many uncertainties in tobacco, including declining U.S. smoking rates, rising tobacco taxes and regulation of the industry by the U.S. Food and Drug Administration, Ferrell and his brother, Kevin, 24, are investing in tobacco production. They are following in the footsteps of their father, Timmy, 50, who is still active in the operation.

"When I finished school and made my decision about coming back to the farm, I thought about whether there was a future in tobacco, and I think there is," David Ferrell said. "Tobacco will always be grown. How much I don't know, but I do feel it has a future."

He describes the farm as "a true agribusiness" now. Unlike the smaller tobacco farms of 10 or 20 acres limited by federal quotas attached to the land, theirs is an unregulated operation increasingly using mechanization, and producing 150 acres of leaf for tobacco companies on a contract basis.

The Ferrells are among the farmers who have increased tobacco acreage in recent years, as other growers have left the business and overall tobacco acreage has declined in Virginia.

In the late 1990s, Virginia farmers produced more than 50,000 acres of the crop. This year, production of the two main types of tobacco grown in the state -- flue-cured in Southside Virginia and burley in Southwest -- is estimated at about 18,700 acres. That is down from about 19,000 in acres in 2008 and almost 29,000 acres in 2004, the year Congress ended a 70-year-old federal supply and price-control program for tobacco.

"It is still a big part of the economy, especially in Southside, but it is a drastic cut from what it was," said Nelson Link, farm programs chief for the Virginia Farm Service Agency.

Now, some farmers foresee other pressures on their tobacco operations -- if not from FDA regulation of the industry, then from increases in federal and state cigarette taxes. The single largest federal tobacco tax ever took effect in March, increasing the per-pack tax to \$1.01 from 39 cents.

"That [tax] will be more of an extended, long-term pressure over two or three years" on demand, said Jim Jennings, a Mecklenburg County tobacco farmer. Jennings, who grows about 120 acres of tobacco, said he figures that every pound of tobacco he produces generates \$25 in taxes for the federal government. His earnings after expenses might be 50 cents per pound.

Jennings argues that more of the money should go into infrastructure, schools and health care in rural areas.

"In theory, the government wants none of its citizens to smoke, and I can understand that," he said. "But if they are going to get money to deter people from smoking, then the areas that produce tobacco will lose part of their economic engine."

Jennings and other farmers said they are unsure exactly what FDA regulation of tobacco products will mean for them. Congress passed legislation in June that for the first time gives the FDA authority to mandate changes in tobacco products and to oversee their marketing, with the goal of reducing disease and death from tobacco use.

The legislation doesn't give the agency control over tobacco farms. That remains with the U.S. Department of Agriculture. But some farmers are wary.

"I compare it to an unfunded mandate," Jennings said. "I can't help but think there is going to be some type of compliance in the future that is going to cost [the farmer] money and that we won't be reimbursed for."

The Ferrells, too, say they are unsure exactly what FDA regulation will mean for their farm. Like other growers, they sell their crops to tobacco companies under contracts.

"You can put so many regulations on the companies that it will affect us, too," David Ferrell said.

FDA regulation could trickle down to the farm in many ways. For example, the agency could mandate reductions in nicotine content, or reductions in nitrosamines, a key cancer-causing agent in cured tobacco leaf. Pesticides could also become an issue.

"These are very important, complex questions that are going to have to be answered down the road," said Scott Ballin, a tobacco and health policy consultant who has worked with tobacco farmer and public-health groups on federal regulation issues.

The FDA is forming a scientific advisory committee for tobacco products, which will include a nonvoting representative of tobacco grower interests. Ballin said the representative should be someone who understands the scientific and economic implications of FDA policies for agriculture.

"We have been so polarized in tobacco control for so long, without understanding that at its heart, all tobacco products are agriculture-based," Ballin said. "There are a whole spectrum of things that need to be considered."

In Virginia, the number of tobacco farm operations has declined from more than 6,000 in 1997 to 895 in 2007, the last census of agriculture data available.

Some farmers have retired, thanks in part to several payment streams aimed at helping them make the transition out of the crop. That includes a \$10 billion tobacco industry-financed buyout of federal tobacco quotas -- essentially licenses to grow the crop that were treated as assets to be bought out when Congress ended the federal tobacco program. The buyout is channeling about \$667 million to more than 40,000 farmers and tobacco quota owners in Virginia through 2014. About half of that has been paid out, Link said.

For the farms that remain, such as the Ferrells, growing tobacco is increasingly about scale and efficiency.

Timmy Ferrell recalls growing only 20 to 25 acres on the family farm about 30 years ago. This year, the father-and-sons operation is producing 150 acres.

"It's gone to a volume crop," he said. "You have got to raise a lot of acres to make money."

During this year's harvest on the Ferrell farm, two mechanical tobacco harvesters, each steered by one man, maneuvered through the bright green tobacco fields, largely replacing the teams of laborers once required to harvest leaf by hand. The Ferrells also bought a conveyor system to unload tobacco leaf at their curing barns.

The automation means they can load a curing barn with several thousands pounds of tobacco in about two hours, compared with a five or six-hour process by hand labor.

Almost everything is mechanized now in the tobacco operation, said Timmy Ferrell, except for the process of topping, or breaking flowers blooms from the tobacco plants, which is still done by hand.

"We've increased in acres, but we've also become more mechanized," David Ferrell said. "You have to constantly look at ways to reduce your input costs and labor costs and also to produce a quality product. We're really trying to improve efficiency. It is truly an agribusiness now."

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