Questions and Answers Regarding the Tobacco Transition Payment Program

Q: What legislation authorizes the Tobacco Buyout?

A: On October 11, 2004, Congress approved the American Jobs Creation Act of 2004, which included the Fair and Equitable Tobacco Reform, commonly referred to as the Tobacco Buyout Bill. President Bush signed the legislation on October 22, 2004.

Q: What does the Tobacco Buyout do?

A: Under this legislation, payments are made to tobacco quota holders and producers. The legislation also ends all aspects of the Federal tobacco marketing quota and price support loan programs, effective with the 2005 crop.

Q: When will the Tobacco Buyout begin?

A: Secretary Veneman will see that this program is implemented as quickly as possible to make much-needed funds available to tobacco producers and quota holders in our farming communities. Current requirements for tobacco marketing quota and price support loan programs for the 2004 marketing year will remain in effect through the end of the marketing season.

Q: When does the marketing year end for each kind of tobacco?

A: The 2004 marketing year for flue-cured tobacco ends on June 30, 2005 and all other tobaccos end on September 30, 2005.

Q: What happens after the last day of the 2004 marketing year ends, what can producers do with their tobacco?

A: After the Federal tobacco marketing quota and price support loan programs end, tobacco producers may market their tobacco to any buyer at any time.

Q: What planting restrictions apply for the 2005 tobacco crops?

A: No geographical or acreage restrictions apply beginning with the planting of the 2005 crops of tobacco.

Q: When can tobacco quota holders and producers expect to receive their payments?

A: Because this is landmark legislation that is very intricate and complicated, it will take some time to properly implement it. USDA expects the implementation time frame to take about the same time as it took to implement the peanut quota buyout legislation. Implementation began immediately upon passage of the bill, and the Farm Service Agency will soon announce a contract sign-up period for the Tobacco Transition Payment Program. Information on program eligibility and application requirements will be made through the County Offices and via FSA's website.

Q: What kinds of tobaccos have buyout payments and in what States are the different kinds of tobaccos produced?

A: The kinds of tobaccos provided for in the buyout bill and the State in which they are produced include:

- Flue-cured (types 11-14); Flue-cured tobacco is produced in the States of Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia.

- Burley (type 31); Burley tobacco is produced in the States of Alabama, Arkansas, Georgia, Indiana, Kansas, Kentucky, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Virginia and West Virginia.

- Fire-cured (types 21-23); Fire-cured tobacco is produced in Kentucky, Tennessee and Virginia.

- Dark air-cured (types 35-36); Dark air-cured tobacco is produced in Indiana, Kentucky and Tennessee.

- Virginia sun-cured (type 37); Virginia sun-cured tobacco is produced only in Virginia.

- Cigar filler/binder (types 42-44 and 54-55); cigar filler/binder is produced only in Wisconsin.

Q: What is the source of the funds for the Tobacco Buyout?

A: The funds required to pay for the buyout will be obtained through assessments on manufacturers and importers of all tobacco products sold in the United States and are estimated to total $10.14 billion over a ten-year period.

Q: Who will be eligible for the Tobacco Buyout?

A: Tobacco quota holders and producers of quota tobacco will be eligible for the tobacco buyout. Quota holders are the owners of a farm, as of the date the President signs the bill, with an established 2004 basic marketing quota on their farm. Producers would include owners, operators, landlords, tenants or sharecroppers who shared in the risk of producing tobacco during any of the 2002, 2003 or 2004 marketing years.

Q: What are the per-pound buyout rates for tobacco quota holders and producers?

A: Following are the per-pound rates:

- Tobacco quota holders will receive $7 per pound payment based on their basic quota at the 2002 marketing year level.

- Producers of quota tobacco will receive a $3 per pound payment based on their share of risk in the 2002, 2003 and 2004 crop of quota tobacco.

Q: For purposes of the buyout, how will the 2002 marketing year quota levels be established?

A: The details of this process are still being worked out.

Q: How will producers' share of risk in the 2002, 2003 and 2004 crops of quota tobacco be established?

A: The details of this process are still being worked out.

Q: How will the payments be made?

A: The payments will be made in 10 equal annual installments beginning in 2005 and ending in 2014. Details are still being worked out.

Q: Can a tobacco quota holder or producer take a lump sum payment from the government?

A: No, there are no provisions in the bill authorizing a lump sum from the government. The bill does allow tobacco quota holders and producers to assign payments to a financial institution of their choice to receive a lump-sum payment from them.

Q: What effect will the tobacco buyout have on the Farm Service Agency (FSA) county offices?

A: The tobacco buyout will increase workload activities in our 16 tobacco states with marketing quotas over the next year. The 449 county offices will continue to administer the 2004 marketing quota and price support programs through FY 2005, when the tobacco programs will end under the legislation. During this same time, county office employees will be working with quota holders and tobacco producers in signing contracts and disbursing payments under buyout provisions. It is not known exactly what long-term impact the termination of the Federal tobacco marketing quotas and price support loan programs will have on county offices with heavy tobacco workloads. FSA staff in States with heavy tobacco program workloads do not exclusively work on tobacco program issues and have assignments in other areas. Because of a number of unanticipated heavy workload items such as disaster legislation and loan deficiency payments, we do know that there will be plenty of work over the next year for all of FSA and additional duties can and will be reassigned as necessary.