



Photo by Paul Cooper

From Family Farm to Corporate Structures

Interview with N.C. Commissioner of Agriculture James A. Graham

by Bill Finger

James A. (Jim) Graham has been Commissioner of Agriculture in North Carolina since 1964. A native of Rowan County, he earned a B.S. in agriculture at North Carolina State University and has been involved in the state's agricultural programs ever since. He has taught agriculture in Iredell County, been the superintendent of a research farm, served as secretary of the North Carolina Hereford Breeders Association, and managed the Farmers' Market in Raleigh. He has been president of the National Association of Market Managers and the National Association of State Departments of Agriculture. Graham still operates a farm in

Rowan County where he has a cow-calf breeder operation. This interview was conducted in the Commissioner's office on April 24, 1981.

What responsibilities do you as Commissioner have for tobacco?

My role touches many areas. This Department regulates the proper use of fertilizers, of chemicals, of herbicides. Within the department we develop markets for alternate crops like sweet potatoes and hogs. I have two full-time tobacco men on my staff trying to assist in a better market, keeping up with the programs, offering assistance whenever we can.* Actual recommendations for growing tobacco is the role of the extension service and the researchers at N.C. State University.

As Commissioner, I really have no direct responsibility in the administration of tobacco programs, but I'm interested in it — to see that we keep the program performing and to defend tobacco. And I'm having a rough time with that now. There's always somebody knocking it. They think it's a subsidy. But it's one of the best farm programs we have. Farmers themselves helped design it and vote on it. It's a support price. They borrow the money from Commodity Credit and pay it back.

Now there's been a lot of talk about how much money's been lost. I'm told since the very incep-

* John Cyrus, director of Tobacco Affairs Section and Bobby Gentry, tobacco specialist.

BERGLAND continued

price of tobacco is not going to discourage smoking. And until the general public has decided on the fate of smoking, we believe it is in the public interest to maintain the price support program.

[The tobacco program] affects about 600,000 families. Tobacco is the sole source of income for, we think, about 100,000 families, the major source of cash income for another 100,000, and an important source of income for the rest. Unfortunately, it is the very small, remote farm that depends most heavily on tobacco, especially in the burley regions of Kentucky and Tennessee. Were it not for tobacco income there would be a wholesale abandonment of the region. Tobacco income runs anywhere from \$1,000 to \$2,500 an acre. The average operating tobacco farmer grows about 10 acres of tobacco — less in the burley regions and more in the flue-cured regions. For the most part, income from tobacco is greater than from any other crop on a per-acre basis.

Does the USDA price support system, by ensuring tobacco prices above open market levels, constitute a welfare program?

In some ways, that is true. There isn't any doubt that the tobacco program has had a major

impact in the preservation of probably 200,000 of these very small farmers that have absolutely no economic alternative. It keeps those families busy in their hometown. They make a living. If they were forced to leave their communities and go into cities, how many would be tax users through welfare programs? I can't even guess. But I can say they are substantially better off today where they are in a rural setting with a fairly modest income. We are not talking about folks getting rich; we are talking about them staying alive. An objective [of the program] is indeed a sort of social engineering.

But as mechanization moves into the flue-cured tobacco business, we need to examine carefully the role of the government price support program. We have no intention of subsidizing persons who don't need federal subsidy. We are looking at the impact of price supports on farm size. We know that price supports [nationwide] benefit the very large farm a lot more than the small farm. Indeed, we argue that two-thirds of the farms in the United States benefit almost nothing from price supports. So this business of saving the small family farm by engineering high price supports can be a contradiction in terms.

Older farmers talk of their allotment as though it is a sacred birthright. If the government took away their allotment, they seem to think it would be a

GRAHAM continued

tion of this program years back that we haven't really lost but something like \$56 or \$57 million — compared to the amount of money that's gone into this whole massive thing. People don't realize that not only does tobacco production in this state affect the grower, but it also affects farm implement dealers, education institutions — the economic welfare of the state. We'd be in bad shape if we didn't have tobacco in North Carolina today.

What is the importance of tobacco to the state's economy?

Tobacco provides about one-third of North Carolina's total farm income, about \$1.1 billion a year. Seventy-two thousand full-time equivalent jobs are directly related to the tobacco industry. About 265,000 people are involved in tobacco-related jobs either on a full-time or seasonal basis. That includes all aspects of the industry. When you get right down to production levels, 32,000 farm operators grow flue-cured in North Carolina, the major flue-cured state. About 6,500 people grow burley. These figures have been declining steadily during the past decade. Less people are growing it.

Is that primarily due to mechanization?

Yes. The operations are getting bigger. It's a fact of life, an economic thing. Tobacco probably mechanized faster than any other crop in North Carolina because of the shortage of farm labor and the high cost of farm labor with the minimum wage. In 1980, about 40 percent of North Carolina's flue-cured tobacco was harvested by a mechanical harvester and over 70 percent went into bulk curing barns, the replacement of those old wooden barns. Many tobacco farmers combined their operations, enlarged them, to justify mechanization.

Would you consider the purpose of the tobacco program as a kind of social engineering?

A lot of folks don't like for it to be looked upon as a social program. It keeps people on the farms. It helps provide them an opportunity to work and they're not on welfare, not on any social program. I don't think anybody's drawing food stamps now who's growing tobacco. A lot of our Christian people who love hard work don't understand why their commodity is always being shot at. You got to work to grow tobacco. It requires a lot of hand labor and it has maintained a family-like farm situation as we've known it over

crime similar to stealing their property. How do you view the "birthright" issue?

When we examine the tobacco program in 1981, we are going to examine that question.* I know it will be an emotional thing. But we are going to look at it to see whether there is any public benefit derived from a price support program that grants to an allotment holder a value that is simply a federal license. I have no interest in supporting a program that simply pumps a windfall account. There has got to be some public benefit from all of this — because [the allotment] is not a constitutional birthright.

Do you anticipate any changes in the support program?

We are having some problems with the program, but nothing that is going to sink it. The law does not give the Secretary any discretion for establishing "differentials" [in price support levels] for the lower grades of tobacco. As a consequence, the poorest quality [grades] tend to accumulate

* Many farm support programs, unlike tobacco, have to be renewed periodically. The 1981 Omnibus Farm Bill will accomplish this. Tobacco-area congressmen have traditionally avoided amending the tobacco program under an omnibus bill for fear of having the entire program abolished. Bergland was apparently considering a review of the tobacco program during the 1981 congressional deliberations.

in the inventories of the CCC [Commodity Credit Corporation].* This has become something of a problem. The law is written in such a way that if I lower the price of the lower quality leaves, I have to raise the price of the higher quality leaves, putting them substantially above the market price. I've discussed the matter with the industry and the leaders of Congress. The general expectation is that in 1981 there will be an amendment to the [federal] tobacco law which would authorize the widening of differentials. [This would] bring the price supports on the poorest qualities of tobacco down in the market range so those tobaccos clear the market. At some price they will sell, but at the moment, they are priced too high. This amendment would allow me to reduce [rates for] the lower quality leaves without changing [rates for] the upper quality. I expect the amendment will be carried in the Omnibus Farm Bill of 1981.**

* The unsold leaf actually accumulates in the inventories of the farmer cooperatives certified to buy tobacco not sold on the open market. The cooperatives use non-recourse loans from the CCC to finance these purchases; "non-recourse" means that if the inventories cannot be sold at a profit, the loans do not have to be repaid. See pp. 3-11 for a full explanation of the price support system.

** As of May 15, no tobacco amendments were expected to be included in the Omnibus Farm Bill.

the years. We have as strong an agriculture economy as we do because we have had tobacco programs. We've kept people on the land, we've kept the family unit together.

The tobacco program has helped to maintain the so-called family size farm in North Carolina. Without the high unit of return from tobacco, many of our smaller farms certainly would not have survived. But you're going to see the farms get larger. Corporate structures will come in. I used to think that was sort of a myth, but it's not anymore. If we don't let our farms make a profit, we're in trouble.

Do you think the family farm is threatened?

The high cost of land, high cost of insurance, high cost of taxes all make it more difficult to make a profit. That's why people are leaving the farm. I don't have all the answers. You're going to see more of a decline in farmers because it almost costs you \$250,000 to get started in farming of any consequence.

What's happening to the people who aren't farming anymore?

There's been a great migration of people away from the land and into other fields of endeavor.

It's going to create a stress on the industry, and if they're not properly trained they're going to have a difficult time. Generally the people that have gone to jobs in industry have not been the farmers growing tobacco. It's been the seasonal farmworker and the tenant and migrant laborer.

Do you think alternative crops to tobacco are a viable option in North Carolina?

You cannot take in as much money off of any other crop other than tobacco. There's absolutely no crop that I know of that can be grown on a large scale basis that brings in as much income as tobacco. You've got specialty crops such as strawberries, field sweet corn, squash, and other vegetables, which will bring in as much income per acre as tobacco. But North Carolina farmers will grow 360,000 acres of tobacco this year. There's no other crop that you can plant on that acreage that would have the market or would bring in as much money as tobacco.

There's been talk about tobacco as a food thing and talking about it as protein source. Well, tobacco does produce one of the highest quality plant proteins available. But it's still in its early stages of development. It's got the potential but it's too far in the future to really comment on that.

What would abolishing the support program do?

It would have major economic impact and result in some pretty substantial dislocation. It isn't like deciding upon the choice between corn and soybeans, a viable choice. It's a matter of farming or quitting.

In a competitive marketplace, without a price support program, the price would drop substantially in the beginning because there are more growers than buyers. The smaller, at least the weaker growers, would be driven out of business. As things settled down, prices would come back up again, but fewer people would be left. How many fewer, I don't think we know. But it would be substantially fewer.

Can states like North Carolina diversify their economy and absorb the great economic losses of what many predict will be a dwindling tobacco industry?

Yes. The growth in job opportunities in rural areas is the one bright spot in our whole economy. We target our rural development efforts in those kinds of places where we know that there is pressure on the agricultural base brought on by mechanization and now more recently by this smoking [and health] business. We are looking at economic alternatives, some of which are agriculturally oriented. We expect that in time the [health con-

cerns] will reduce the demand for tobacco and that those farmers have to have an alternative. The government should provide an alternative. We are all better off if [the farmers] can stay at home and get a good job rather than [being] forced into a migrant camp some place.

Can people look past the seeming contradiction of the government spending about \$53 million a year on anti-smoking efforts and over \$300 million a year through USDA on the tobacco growing industry?

Strictly from a taxpayer's viewpoint, the program is a money-maker — tobacco generates \$6 billion a year in tax revenues and only costs \$300 million. But this is not a justification for maintaining the tobacco program. Nor should the health issue be decided on tax policy. The two must be separated. We should take the smoking issue head on and decide if we are going to ban smoking and restrict its use. Then we have to consider not only the production of tobacco, but its importation. We haven't done anything about the health issue if we simply eliminate price supports.

It's the health issue that has everyone excited. I'd like to see a vote in Congress on whether the production, sale, and importation of cigarettes should be banned or not. I know how I'd vote. I'd vote to ban. □

Photo courtesy of N.C. State University

How has leasing become a problem?

You've got a tobacco allotment on your farm and you don't want to grow that tobacco. I want to grow that tobacco. I'll lease it from you. I have to pay you in some instances as much as 15 to 50 cents a pound for the rights to grow that tobacco. I've got the equipment, I've got the time, I've got the mechanization. I've got to have more acreage to help me pay for that mechanical harvester, to help me pay for that bulk curer, the high cost of interest, high cost of chemicals, high cost of fertilizer. I need more acreage.

There are those who think we ought to turn the quotas loose and let them grow all you want. Quotas ought to be tied to the land, just like you got a piece of property out there with an industry sitting on it. That's a part of the real estate. I think it ought to be treated that way. The value of that tobacco allotment is added to the value of the land put up for sale. And that's especially important down in eastern North Carolina.

I am for within-the-county leasing, the way it is now, but not across the county line and across the state line. I'm going to support the continuation of leasing, the way it is under the present program until something better comes along. □

