

Tobacco Transition Payment Program:

TTPP

- 10 equal annual payments for quota owned totaling \$7 for each pound of quota owned
- 10 equal annual payments for quota grown totaling \$3 for each pound of quota grown (rented and owned)

TTPP

- Tobacco production completely deregulated; no production requirement tied to receipt of TTPP payments.
- Quota owners and growers permitted to sell their TTPP payment stream to a third party.

TTPP Impact on States

2005 Quota Owner and Producer Payments:

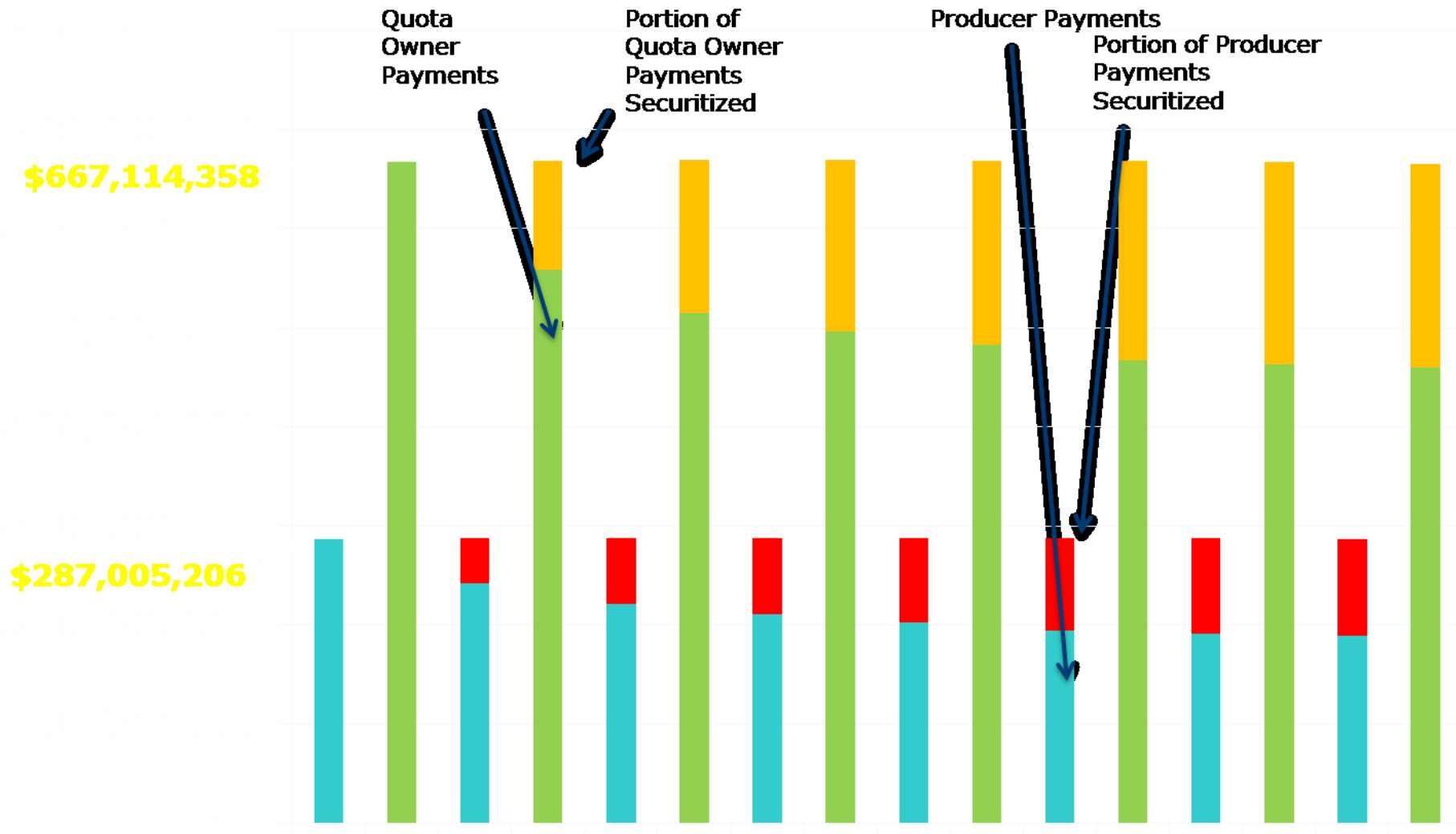
North Carolina: \$392.4 million

Kentucky: \$221.8 million

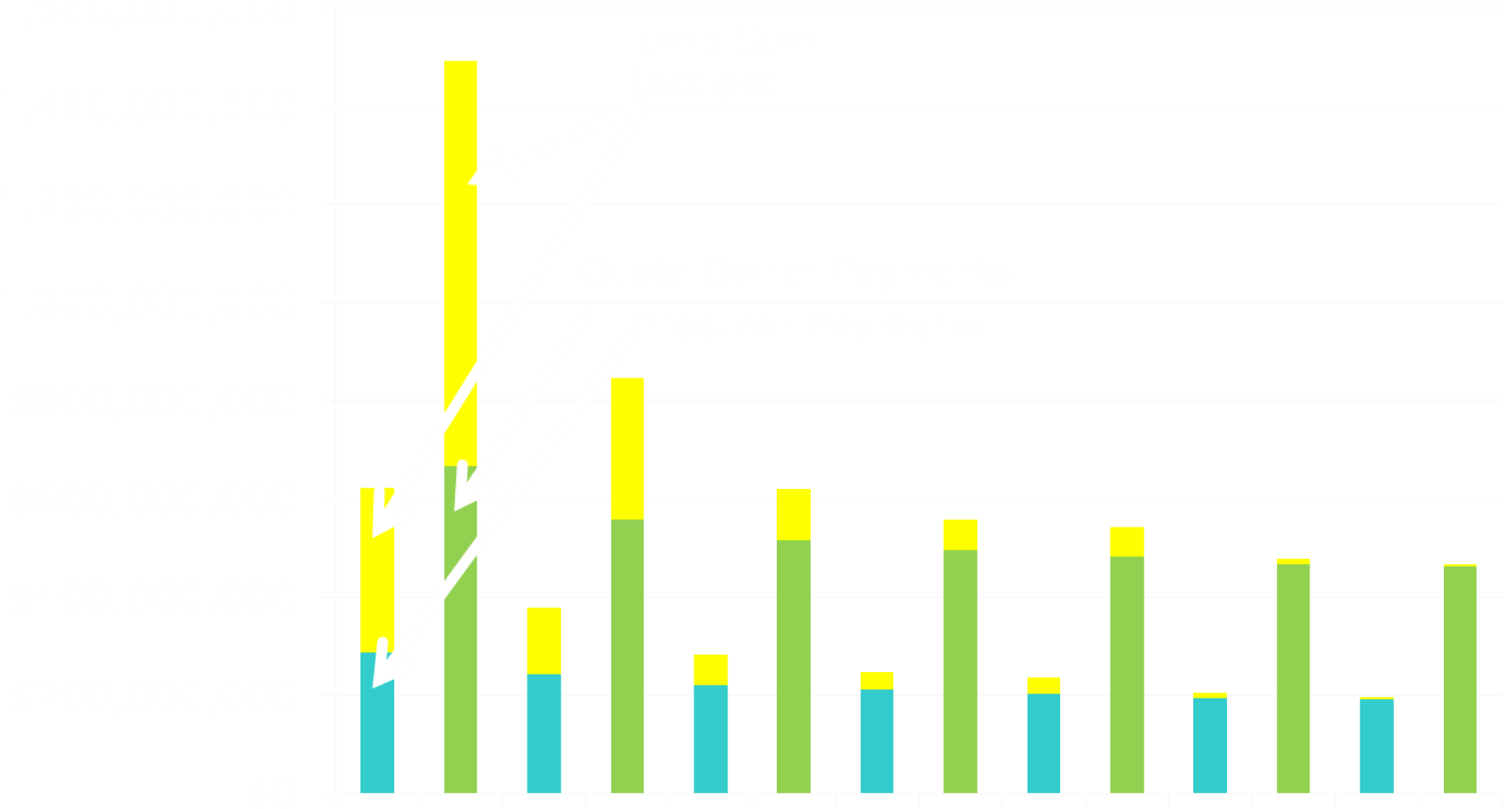
TTPP Payments 2004-2012

- Amount of Annual Payments 2004-2012 to Producers and Quota Holders: **\$5.85 Billion**
- Amount of Annual Payments 2004-2012 paid to Institutions who bought payment streams with lump sums: **\$1.79 Billion**

Figure 1: Tobacco Transition Payment Program: Quota Owner Payments, Producer Payments, and Portions Securitized



**Figure 2. Total Funds to Producers and Quota Owners:
TTPP Payments and Estimated Lump Sum Receipts**



Cost of 7.2% Reduction

	2012 Payment	7.2% Reduction
NC Quota Owners	\$198.6 million	\$14.3 million
NC Producers	\$ 85.9 million	\$ 6.2 million
US Quota Owners	\$459.4 million	\$33.1 milllion
US Producers	\$188.5 million	\$13.6 million
US Financial Institutions	\$304 million	\$21.9 million

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- **Retired**

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- **Expanded other commodities**
after
 - Exiting tobacco production OR
 - Staying in tobacco production

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- **Replaced equipment**

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- **Started new enterprises**

What did farmers do with their payments?

- Retired
- Reduced debt
- Expanded tobacco production
- Expanded other commodities after
 - Exiting tobacco production OR
 - Staying in tobacco production
- Replaced equipment
- Started new enterprises
- **Increased savings**

What did quota owners do with their TTPP payments?

The proportion consumed versus saved or invested probably depended on:

- How important quota rent was as a source of income
- How much longer they anticipated needing income

The end of the TTPP

- Will the payments be missed?
 - YES!!!
- Will the end result in a crisis of:
 - Production?
 - Rural incomes?

Probably not for most recipients since the end was known with certainty