

Corona Virus and the Impact on Tobacco Farmers

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The Corona virus has wreaked havoc in agricultural markets by disrupting supply chains and dramatically changing consumer markets. This is most evident in markets for perishable and time sensitive products like fresh produce, livestock and poultry. But tobacco is not immune to the disruptions in markets. The pandemic has interrupted the resumption of trade with China that was direly needed to revive exports of U.S. flue-cured tobacco. Further tobacco farming's dependence on labor, like fresh produce, means it is vulnerable to the potential spread of the virus among farm workers.

The Impact on Exports

China had become an important customer of U.S. flue-cured tobacco with exports from the U.S. to China averaging \$182 million annually for the period 2013-2017. This accounted for about 27 percent of U.S. exports of unmanufactured flue-cured tobacco. With the trade war of 2018 China stopped purchases of U.S. tobacco causing contracted pounds of U.S. tobacco for export to plummet. The loss of over \$180 million in exports dealt a severe economic blow to farms and the rural economies that depend on them. The impact of the loss in economic activity is estimated to be over \$400 million annually with over 2400 jobs lost in the rural economy.

With the U.S. and China moving toward resolution of trade issues, hopes were that China would resume purchases of U.S. tobacco restoring much needed farm income and the affiliated economic activity and jobs in rural economies. Unfortunately the Covid-19 pandemic and measures taken to control it have interrupted this critical resolution of trade. This is a critical economic blow to tobacco farmers and rural economies at a time when agricultural markets in general are in great distress.

Disruptions in Production

Tobacco, like many specialty crops, is very dependent on labor. Thankfully returning H2-A workers are deemed essential and allowed to return for the 2020 season. This is important not only to U.S. agriculture production, but is also critical to the families and communities in Mexico and other developing countries that these workers support. Unfortunately, first-time H2-A visa holder have, in most cases, not been able to have required interviews due to embassy closures to the public. This has led to some restriction in labor availability. Like many industries, social distancing and working remotely are obviously very difficult when planting and harvesting crops. This leaves farm workers more vulnerable to the spread of the Corona virus. Farmers must be vigilant in protective measures and detection of the virus among workers.

Aid to Farmers

In the CARES Act agriculture receives over \$24 billion in aid. USDA will use \$14 billion, available in July, to replenish the Commodity Credit Corporation for crops covered under the farm program. \$9.5 billion was designated to cover non-program crops, livestock and poultry. USDA is combining the \$9.5 billion with existing funding to immediately provide \$16 billion in direct payments to farmers and \$3 billion in product purchases. Specialty crops are scheduled to receive \$2.1 billion in direct payments. This would

aid fresh produce farms, potentially including sweet potato farms. Tobacco state legislators and farm groups are also working to help USDA understand the economic impacts of the pandemic on tobacco farmers so that they could be covered under these direct payments. Whether or not USDA will include tobacco farmers remains in question. For more on this potential funding see “What’s in USDA’s New Coronavirus Food Assistance Program?” by American Farm Bureau Federation (<https://www.fb.org/market-intel/CFAP>).

Regardless of the direct payments, farmers are eligible for loans to small businesses available through the Small Business Administration (SBA). These loans, under the Paycheck Protection Program, are to enable small businesses to retain their employees. The loans will be forgiven if the small business retains its employees. \$350 billion was made available in the CARES Act and was exhausted quickly as small businesses scrambled to apply for the funds. Legislation just passed will inject another \$250 million into the Paycheck Protection Program. Farmers must act quickly to apply since these funds are expected to be exhausted very quickly. Farmers should apply for the SBA funds through their bank or lender. Most banks and some Farm Credit Associations are approved SBA lenders. Go to SBA’s website for the Paycheck Protection Program to learn more (<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>). But act quickly since the funds are expected to go fast!