



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

April 2011

Tobacco Transition Payment Program (known as the “Tobacco Buyout”)

Overview

On Oct. 22, 2004, President Bush signed the American Jobs Creation Act of 2004, which included the Fair and Equitable Tobacco Reform, commonly referred to as the “Tobacco Buyout.” USDA, which is charged with administering the program, titled it the Tobacco Transition Payment Program (TTPP).

All aspects of federal tobacco marketing quota and price support loan programs have ended. Beginning with the 2005 tobacco crop, there were no planting restrictions, no marketing cards and no price support loans. Signing up for the TTPP is the final and only opportunity to receive federal payments related to tobacco marketing quotas.

TTPP provides payments to tobacco quota holders and tobacco producers.

TTPP payments began in 2005 for those who signed up during the Mar. 14 - June 17, 2005, enrollment period. Sign up for the program is voluntary and is continuous through 2014 to allow those who missed the original signup to receive all future payments.

TTPP payments were made from June to September 2005, for fiscal year 2005. Subsequent payments in future years will be issued annually during January, but not later than Sept. 30.

If a producer grew tobacco in more than one county, the producer must sign up for TTPP in each respective county.

Eligibility and Payments for

Quota Holders

Quota holders are the landowners of the farm where a tobacco quota was assigned. Eligible TTPP quota holders are farm owners with an established 2004 basic marketing quota on a farm as of Oct. 22, 2004. Quota holders who purchased a farm after this date are eligible to receive this payment. Eligible tobacco quota holders receive \$7 per pound based on their basic quota at the 2002 marketing year level.

To prove ownership of TTPP signup, a copy of the deed, contract for deed, last will or other documents that provide proof of legal ownership must be provided to the local USDA Service Center. Parties that have agreed to the distribution of the quota in writing must also provide a copy of the agreement to the local USDA Service Center before approval of TTPP contract signup.

If a new farm allotment or quota was established on the farm in crop year 2003 or 2004, the quota holder is not eligible for a TTPP payment.

If the quota holder is deceased, then the payment transfers to the surviving spouse. If there is no surviving spouse, then the right to receive payment transfers to the estate of the quota holder.

Tobacco quota farms with an existing Conservation Reserve Program (CRP) contract are eligible for payments.

Eligibility and Payments for Producers

Producers include owners,

operators, landlords, tenants or sharecroppers who shared production risk during any of the 2002, 2003 or 2004 marketing years.

Producers of quota tobacco receive up to \$3 per pound based on their share of risk in 2002, 2003 and 2004 quota crops.

Annual payment is calculated by multiplying the eligible producer's Base Quota Level (BQL) for each farm for crop years 2002, 2003 or 2004 by \$0.10 per pound per year. For flue-cured and burley producers, the BQL is equal to the 2002 effective quota produced on the farm. For tobacco other than flue-cured and burley, the producer's BQL is equal to the 2002 basic allotment multiplied by the farm's three-year average yield for 2001, 2002 and 2003.

To determine an individual share of the farm's BQL, FSA uses the producer's share information on the contract in Form FSA-578, Report of Acreage, for the applicable year. Producers may change the share percentages. However, all parties must agree to the division of quota shares, not to exceed 100 percent.

If a producer did not share in crop year 2002, but did share in crop years 2003 and 2004, that producer is eligible for payment for that producer's share in 2003 and 2004 crops.

If the producer is deceased, the right to receive the payment transfers to the surviving spouse. If there is no surviving spouse, the right to receive payment transfers to the estate of the producer.

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For TTPP contract eligibility, producers must have complied each year with statutory provisions for 2002-2004, relating to Highly Erodible Land Conservation/Wetland Conservation. Substance Control provisions apply to each year of the contract. Any successor-in-interest to the contract must also comply with these provisions.

Payments

Contract payments to tobacco quota holders and producers are made in annual installments over a 10-year period. Payments began in 2005 and end Sept. 30, 2014.

Payments are made in January of each year to the extent practicable.

TTPP payments are subject to administrative offset under provisions set forth in the Debt Collection Improvement Act of 1996, which means FSA will collect a producer's TTPP payments and apply these payments to debts owed to FSA and other federal agencies. Payment limitation provisions do not apply to TTPP producer payments.

The funds required to pay for TTPP and other related costs are obtained through assessments on manufacturers and importers of all tobacco products totaling no more than \$10.14 billion over the 10-year period.

Lump-sum Payments, Assignments and Successor-in-interest Contracts

The Commodity Credit Corporation (CCC) will not make a lump-sum payment to individual tobacco quota holders or producers, but a private party may. If a private

party enters into an agreement where an individual quota holder or tobacco producer is to receive a lump-sum payment from them in return for the individual's rights to TTPP payment, the private party will likely request that either the contract payment be assigned to them as the payments are earned over 10 years, or they will request that all rights be transferred to them by executing a successor-in-interest contract with the other private party and CCC. Assignment forms are available from local USDA Service Centers. They explain how to transfer TTPP payments from CCC to another party. The successor-in-interest form is available from private-party participants or the FSA.

For payments to be issued to a successor the following January for the 2001 and successive year payments, the successor must file a successor-in-interest contract no later than Nov. 1 of the preceding year.

Types of Eligible Quota Tobacco

The types of tobaccos provided for in the buyout bill and the states in which they are produced include:

- Flue-cured (types 11-14): Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia;
- Burley (type 31): Alabama, Arkansas, Georgia, Indiana, Kansas, Kentucky, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Virginia and West Virginia;
- Fire-cured (types 21-23): Kentucky, Tennessee and Virginia;
- Dark air-cured (types 35-36): Indiana, Kentucky and Tennessee;
- Virginia sun-cured (type

- 37): Virginia; and
- Cigar filler/binder (types 42-44 and 54-55): Wisconsin.

For tobaccos other than flue-cured and burley, yield is determined by the average yield for 2001, 2002 and 2003 for that type of tobacco in the county in which the allotment was assigned.

More Information

Further information on this and other FSA programs is available from the local USDA Service Centers or on the FSA Web site at: www.fsa.usda.gov. You can also visit the USDA/FSA Tobacco Web site at www.fsa.usda.gov/tobacco.

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