Tobacco Loss Assistance Program (TLAP) Payments

Over the past few years, Congress has legislated a number of broad and specific agricultural disaster assistance packages. Federal dollars allocated as compensation for reductions of tobacco quota or acreage have been administered by the U.S. Department of Agriculture’s Farm Service Agency (FSA) under a program called the Tobacco Loss Assistance Program (TLAP). In October 1999, Congress appropriated $328 million under broad farm disaster legislation to help compensate farmers for cuts made in tobacco quotas. The TLAP payments were part of a large assistance program ($6.5 billion) in response to low commodity prices in 1999 authorizing market loss payments to producers of grains, cotton, oilseeds, tobacco, dairy, and peanuts. In addition to the $328 million in payments to tobacco growers, another $2.8 million was approved for flood damaged tobacco on warehouse auction floors from Hurricane Floyd. In July 2000, a second round of $340 million in TLAP funds was appropriated by Congress.

According to federal law, each tobacco growing state received a portion of TLAP dollars based on its share of reduction in tobacco quota. The types of tobacco eligible for TLAP payments include flue-cured, burley, fire-cured, and cigar filler/binder, whereas Phase II payments are only available to flue-cured and burley types. Enabling legislation required each state to distribute their portion of TLAP funds according to the state’s payment formula already established for Phase II payments or previous payment programs. Flue-cured and cigar/binder producers and quota owners split payments evenly and payments for burley and fire-cured tobaccos were split among growers, quota owners, and those in control of the quotas. Each round of TLAP payments roughly doubled the Phase II payments that burley and flue-cured producers and quota owners were receiving.

Other Federal Assistance

In September 2000, Congress incorporated a last-minute $509 million bailout for burley tobacco farmers into the federal agriculture appropriations bill. The measure allowed the co-op to forfeit 250 million pounds of low-quality 1999 crop to the Commodity Credit Corporation (CCC), forgiving loans on the forfeited poundage. The CCC can then try to resell the forfeited tobacco overseas to recover some of the government’s losses. The level of pool stocks is a major component of the formula used to determine annual marketing quotas. The removal of very large, low quality stocks overhanging the burley market had a very significant impact on the 2001 burley quota determination, contributing to a 34% increase over the 2000 quota. Without the bailout, a quota cut near 40% was possible. Lawmakers from major flue-cured states were also successful in gaining approval for a similar federal bailout for flue-cured tobacco stocks, but it did not occur in time to be factored into the determination of the 2001 flue-cured quota. The elimination of low-quality 1999 flue-cured pool stocks will be reflected in the 2002 flue-cured quota.