



## **Tobacco Transition Payment Program**

*(also called the "Tobacco Buyout")*

### **Overview**

All aspects of the Federal tobacco marketing quota and price support loan programs are ending. Beginning with the 2005 tobacco crop this means, there are no planting restrictions, no marketing cards, and no price support loans. Signing up for the Tobacco Transition Payment Program (TTPP) is the *final and only* opportunity to receive Federal payments related to tobacco production.

The Tobacco Transition Payment Program (TTPP) provides payments to tobacco quota holders and tobacco producers beginning in 2005 and ending in 2014.

TTPP payments will be made between June and September 2005 for Fiscal Year (FY) 2005. Subsequent payments in future years will be issued annually during the month of January.

### **Sign-up**

The sign-up period for the TTPP is March 14, 2005, through June 17, 2005.

If a tobacco quota holder or tobacco producer does not sign up during this period, he or she will not receive a payment for 2005. Sign-up for this tobacco program is voluntary.

If a producer grows tobacco in more than 1 county, the producer must sign up for TTPP in each county.

### **Eligibility and Payments for Quota Holders**

Quota holders are the landowners of the farm where a tobacco quota was assigned. To be eligible for TTPP, quota holders are the owners of a farm with an established 2004 basic marketing quota on their farm as of October 22, 2004, the date the President signed the bill that ends the quota system. If you purchased a farm after this date, you will not be eligible to receive the quota holder payment. Eligible tobacco quota holders will receive \$7 per pound based upon their basic quota at the 2002 marketing year level.

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

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

If the quota holder dies, 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 quota holder.

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

### **Eligibility and Payments for Producers**

Producers include owners, operators, landlords, tenants, or sharecroppers who shared in the risk of producing tobacco during any of the 2002, 2003, or 2004 marketing years. Producers of quota tobacco will receive up to \$3 per pound payment based on their share of the risk in the 2002, 2003, and 2004 crops of quota tobacco.

The annual payment will be 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 will be equal to the 2002 effective quota produced on the farm. For tobacco other than flue-cured and burley, the producer's BQL will be equal to the 2002 basic allotment multiplied by the farm's 3-year average yield for the years 2001, 2002, and 2003.

## Fact Sheet

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To determine an individual's share in the farm's BQL, USDA's Farm Service Agency (FSA) will use the producer's share information on the contract in the form FSA-578, Report of Acreage, for the applicable year. Producers may change the share percentages. However, all producers on the farm for the applicable year must agree with 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 the crop in 2003 and 2004.

If the producer dies, 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.

For TTPP contract eligibility, producers must comply each year with statutory provisions relating to Highly Erodible Land Conservation/Wetland Conservation and Substance Control applicable provisions. Any successor in interest to the contract must also comply with these provisions

### Payments

The contract payments to tobacco quota owners and producers will be made in annual installments over a 10-year period beginning in 2005 and ending September 30, 2014. TTPP payments will be made between June and September 2005 for FY 2005. FY 2006 through FY

2014, payments will be made in January of each year.

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 the TTPP and other related costs will be 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-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 under the contract to them by executing a successor-in-interest contract with the other private party and CCC.

Successor-in-interest contracts will be available beginning with the FY 2006 payment. Assignment forms are available from local USDA Service Centers and they explain how to transfer TTPP payments from the CCC to another party. The successor-in-interest form will be available this summer.

### Types of Eligible Quota Tobacco

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

- Flue-cured (types 11-14); Flue-cured tobacco is produced in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia.
- Burley (type 31); Burley tobacco is produced in the States of Alabama, Arkansas, Georgia, Indiana, Kansas, Kentucky, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Virginia, and West Virginia.
- Fire-cured (types 21-23); Fire-cured tobacco is produced in Kentucky, Tennessee, and Virginia.
- Dark air-cured (types 35-36); Dark air-cured tobacco is produced in Indiana, Kentucky, and Tennessee.
- Virginia sun-cured (type 37); Virginia sun-cured tobacco is produced only in Virginia.
- Cigar filler/binder (types 42-44 and 54-55); cigar filler/binder is produced only in Wisconsin.

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

#### ***When was TTPP created?***

On October 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.

#### ***More Information***

Please go to your USDA Service Center for more information. You can also visit the USDA/FSA Tobacco Web site at [www.fsa.usda.gov/tobacco](http://www.fsa.usda.gov/tobacco)

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