

**REPORT OF THE JOINT SUBCOMMITTEE  
STUDYING**

**ALTERNATIVE STRATEGIES FOR  
ASSISTING TOBACCO FARMERS  
HJR 431**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 67**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1996**



## **Joint Subcommittee Members**

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Sen. Charles R. Hawkins, Vice Chairman  
Del. William W. Bennett, Jr.  
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Sen. Richard J. Holland

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# **REPORT OF THE JOINT SUBCOMMITTEE STUDYING ALTERNATIVE STRATEGIES FOR ASSISTING TOBACCO FARMERS (HJR 431)**

## **I. AUTHORIZATION FOR STUDY/BACKGROUND**

In 1994, the General Assembly passed House Joint Resolution 224 establishing a joint subcommittee to study alternative strategies for assisting tobacco farmers. During its first year, the subcommittee (i) reviewed state and federal tobacco policies; (ii) developed a profile of the tobacco industry in Virginia and documented its impact on the state's economy; and (iii) examined crop and commodity diversification and alternative enterprises. In 1995, under House Joint Resolution 431 (Appendix A), the subcommittee broadened its inquiry beyond identifying agricultural diversification programs to one of identifying those rural economic development policies that provide the tools for ensuring the economic vitality of the tobacco-growing communities of Virginia.

## **II. SUBCOMMITTEE DELIBERATIONS**

Because the tobacco markets are experiencing a decline in domestic consumption of cigarettes due to health issues, foreign competition, and the establishment of manufacturing facilities abroad, those communities whose economic survival depends on tobacco production face an uncertain future. In an effort to better understand the needs of these communities and their ability to adjust to a changing economic environment, the subcommittee, during two business meetings and a town meeting, solicited suggestions on what role the state should play in developing the economies of the two tobacco regions, Southside and Southwest Virginia.

### **A. REORGANIZATION OF VIRGINIA COOPERATIVE EXTENSION AND THE IMPACT ON TOBACCO-RELATED SERVICES**

If Virginia's tobacco producers are going to be competitive in a global market, they must improve the efficiency of their operations. Established in 1914 in response to the federal Smith-Lever Act, the Virginia Cooperative Extension (VCE) is an invaluable resource in providing farmers with the technical assistance to improve their productive capacity. The VCE professional and paraprofessional staff are located in 107 units which deliver technical assistance and educational program services throughout the state. In 1994, 1.4 million Virginians participated in VCE-sponsored educational programs, and 45,000 volunteers assisted in the delivery of these programs. Over the last several years, the VCE has experienced significant reductions in its general fund appropriations. The VCE staff component is currently one-half the size it was in 1980. The total number of agents was reduced from 370 in 1989 to 232 in 1995, including a reduction, over the same period of time, in agricultural and natural resource agents from 140 to 95. Similarly, the number of specialists who develop and provide technical information to the

field agents declined from 121 to 85 full-time employees (FTEs), with agricultural and natural resource specialists being reduced from 85 to 67. Thus, those programs primarily serving agriculture experienced a staff reduction of 45 agents and 18 specialists.

In terms of per capita general fund appropriations for cooperative extensions, Virginia ranks third lowest among the 13 Southern states, with Arkansas ranking first (\$7.44) and Virginia eleventh (\$3.43). This pattern is repeated with respect to per capita spending for agricultural experiment stations (FY 1994). Again, Arkansas ranks highest (\$7.33), with Virginia (\$3.56) ranking behind Oklahoma (\$5.75), Louisiana (\$5.62), Georgia (\$5.52), North Carolina (\$5.49), Mississippi (\$5.40), Kentucky (\$4.92), South Carolina (\$4.87), Florida (\$4.71), and Alabama (\$4.36).<sup>1</sup>

In light of the recent decline in the number of employees and reduction in the budgets for the VCE and agricultural research, the subcommittee invited Dr. Clark Jones, acting director of the VCE, and Dr. Lorenzo Lyons, dean of the School of Agriculture Science and Technology at Virginia State University, to discuss the impact such reductions will have on services offered to tobacco growers and the larger agricultural community. Dr. Jones acknowledged that within the last year alone, the VCE has lost about 20 percent of its agents (over 50 agents) due mostly to employees leaving under the Workforce Transition Act (WTA). Decline in the number of agents has resulted in what Dr. Jones characterized as "gaping holes" in the VCE. The tobacco-producing regions of the state have been particularly affected by the cut-back in extension services. Southside Virginia, the heart of the flue-cured tobacco-growing area, has lost two tobacco agent positions. It is expected that these positions will be filled solely because local governments in the region have agreed to fund them, but only on a temporary basis. Similarly, the burley tobacco communities in Southwest Virginia have lost the services of two specialists in the Glade Springs Experiment Station. Dr. Jones informed the subcommittee that the significant reductions in staff will be addressed through the following five-point restructuring plan:

**1. Streamline administration.** Beginning November 1, 1995, middle management staff was reduced 40 percent. The 11 regional director positions were changed to six district director positions. All on-campus assistant director positions were eliminated. The individuals in those positions were assigned to program delivery roles. Emphasis is being placed on the delivery of programs by agents, specialists and volunteers. Under the WTA, approximately 70 VCE staff have left state service, resulting in a reduction in funding of \$2.9 million. The VCE has asked the administration to restore 22 of these lost positions. If the 22 positions are restored, 10 would be allocated for agriculture agents, six for clerical positions, three for specialists, and three positions would support information technology.

**2. Invest more in information technology.** This ability depends on the recovery of the remaining WTA funds. These funds would be used to (i) provide each agent and specialist with his own computer and the training necessary to use the technology to its fullest extent; (ii) ensure

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<sup>1</sup> Figures supplied by Office of the Dean, College of Agriculture and Life Sciences, Virginia Agricultural Experiment Stations and Virginia Cooperative Extension, Virginia Polytechnic Institute and State University.



that information is in the proper format so that it can be effectively transmitted using the new technology; and (iii) equip each agent's car with a telephone.

**3. Provide focus to the program.** Because of reductions in resources, the VCE will be "doing fewer things [but] will do them very well." One result of this reduction is the consolidation of the 4-H program and what was formerly known as the home economics program (now called Family Consumer Sciences) under the leadership of a single person. It is believed that such consolidation will broaden the perspective of those administering the program as well as that of the program's recipients.

**4. Strengthen VCE's relationship with local government.** Local government assists in paying the costs of operating the 107 extension offices. Local agents, because of limited funding, will be asked to cover larger areas working across city and county lines. Staffing patterns will be developed in consultation with local government officials. Planning districts will be designated as the service areas. The objective is to reduce the time and distance that agents will need to cover to provide services.

**5. Investigate additional sources of funding.** Currently, the VCE is funded through a combination of state general fund appropriations, fees, grants, and contracts. It has sought to enhance the fundraising skills of extension agents by enrolling 22 agents in a graduate course on proposal writing. The VCE will be the recipient of a portion of the money which will be generated by the \$250 million Virginia Polytechnic Institute and State University (VPI-SU) development campaign. While the feasibility of imposing fees on a broad range of services is being examined, it is not anticipated that a fee will be charged for any activity performed by the VCE.

In addition to restructuring the VCE, Dr. Jones plans to:

- Allocate resources in a manner that will enable extension agents to most effectively deliver services;
- Emphasize that extension personnel are educators who deal with and are able to solve real world problems;
- Stabilize the budgets of the VCE and the experiment stations by requesting level funding for the biennium;
- Make the program more efficient and cost-effective;
- Increase agents' salaries to avoid another exodus like the recent one in which agents left state service under the WTA for opportunities in the private sector; and
- Strengthen the relationships with Virginia State University, experiment stations, agricultural research programs, and local governments.

The VCE program consists of extension programs administered by VPI-SU and Virginia State University. Dr. Lyons explained the relationship between Virginia State and the VCE. A joint memorandum of understanding has been developed which sets out each university's areas of responsibilities, thereby avoiding any duplication of effort. The Virginia State extension program is funded primarily by the U.S. Department of Agriculture. The Commonwealth provides funding for its aquaculture initiative and some general funds for program administration. The program at Virginia State is small compared to VPI-SU's. Not including research professionals, there are 17 extension specialists, eight of whom work in agriculture. A number of technicians are located throughout Virginia. The focus of the Virginia State program is on alternative or supplemental nontraditional crops, agricultural diversification, and small-scale agriculture. A lot of the effort can be characterized as pure research that is in the demonstration phase. Because his program receives little state funding, Dr. Lyons indicated that Virginia State would be minimally affected by the proposed budget cuts and the reorganization of the VCE.

## **B. DETERMINING THE NEEDS OF TOBACCO COMMUNITIES**

In 1994, with Virginia's tobacco producers facing the prospect of a 30 to 40 percent reduction in their tobacco production quotas, the tobacco communities project was initiated which brought together residents of the tobacco growing regions and individuals experienced in solving economic and community development problems. Funded with a grant obtained from the Robert Wood Johnson Foundation, the project explores opportunities and develops strategies for rural economic development. Meetings were held in Danville, Chatham, and Abingdon at which individuals expressed views on the needs of their communities. These needs could be grouped under five basic themes:

- Efficiency of marketing and producing tobacco;
- On-farm cooperative crop and livestock supplemental enterprises;
- Financing entrepreneurial enterprises and economic investments;
- General economic development in tobacco-growing communities; and
- Adult education and workforce skill development.

Under the leadership of Dr. Wayne Purcell, director of the Rural Economic Analysis Program at VPI-SU, study groups were formed to further examine each of these areas. The groups comprised tobacco farmers; warehouse operators; tobacco manufacturers; elected officials of the tobacco stabilization corporation; Virginia Department of Agriculture and Consumer Services experts; faculty from VPI-SU, the University of Virginia and Virginia State University; VCE personnel; Virginia Community College Systems administration and faculty; economic development officials; and representatives from the Farm Bureau and Agribusiness Council.

Dr. Purcell presented the study groups' report and discussed their recommendations with the subcommittee. By way of background, he noted that the participants were convinced that the negotiated tobacco buyout of last year was a short-term rather than a long-term solution to the tobacco situation. He noted that the industry is undergoing a restructuring, with more dependence on the export market to "bail out" the industry as was the case in the 1980s. However, according to Dr. Purcell, the growing world tobacco market will not offset the decline in the domestic market, and as a result, "forced" changes in the producing communities will occur at an accelerated rate over the next 10 years. The study groups' report suggests the quality of life in these rural communities could decline if the tobacco producers are asked to make adjustments "at a level and rate for which they are unprepared."<sup>2</sup>

Acknowledging a "widespread understanding and concern that tobacco growing is in a highly uncertain climate that could threaten the welfare of individuals, families and communities," the report's recommendations focus on measures which prepare tobacco communities to better plan for change. Four broad recommendations were offered by Dr. Purcell:

**1. *Ensure that the latest production technology is available to tobacco farmers whose age, interests and management skills indicate that they will continue in tobacco production as their sole source of income.*** The price of U.S. tobacco is significantly higher than that of foreign competitors, due in large measure to the cost of labor. Despite the progress made in the last 50 years in reducing the number of man-hours needed to produce an acre of tobacco, labor still accounts for at least one-third of the cost of production. University researchers and extension services must develop a range of management techniques and new technologies to make Virginia tobacco competitive.

**2. *Ensure that information on the most profitable/competitive on-farm crop and livestock enterprises is available to tobacco farmers.*** Despite extensive research and educational activity in this area, no complete, systematic and sophisticated analysis of alternative/supplemental on-farm enterprises exists for tobacco-producing communities. For example, information must be organized in ways that allow for the examination of soil, rainfall, topography and other resource constraints in each tobacco-producing county. The availability of this type of information is essential to tobacco farmers who are looking for ways to continue to farm but need to supplement their income.

**3. *Ensure that entrepreneurs interested in new or expanded agriculture and agribusiness have access to capital in order to finance their efforts.*** While several of the state's programs can be used for financing agricultural operations, most state programs support manufacturing and industrial businesses by providing performance-based incentives that match the specific needs of these types of businesses. Hence, they are inapplicable to agricultural production ventures. Agricultural production ventures are more capital intensive, requiring nearly one million dollars for facilities and equipment, while employing only a small number of workers. Similarly, current criteria used by private sector financial institutions for obtaining loans for

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<sup>2</sup> Recommendations to the Joint Subcommittee Studying Alternative Strategies for Tobacco Growers, Tobacco Communities Project, 1995, p. 1.

agricultural business (e.g., financial projections, historical financial analyses and sufficient loan collateral) seriously restrict a farmer's ability to obtain needed capital.

**4. Ensure that off-farm employment will be available to members of farm families and assist these individuals in acquiring the skills needed for employment in businesses interested in locating farming and rural communities.** Currently, there is no state level economic development/workforce enhancement program directed toward agriculture. Such a plan or program would minimize the economic, social, and personal disruptions resulting from the anticipated adjustments in the tobacco sector.

### III. FINDINGS AND RECOMMENDATIONS

Tobacco remains Virginia's most important crop. It accounted for 22.5 percent of crop receipts and 7.5 percent of cash receipts from all farm commodities in 1994.<sup>3</sup> In the major tobacco-producing counties, tobacco represents 48.5 percent of the value of farm products sold. However, recent trends and changing world tobacco markets present challenges to the economy of Virginia's tobacco regions. "Projections for the year 2005 show that the region will experience slower growth than the state as a whole in such key measures as population, personal income, and employment."<sup>4</sup> The tobacco producers in these communities are aware of the challenges they face from the economy but remain pessimistic about solutions that simply emphasize on-farm substitutes for tobacco. In their testimony before the subcommittee and as members of the study groups, growers identified a range of community needs. The growers' identification of their communities' needs reflects a willingness to explore options and opportunities for developing and diversifying the regions' economy.

**A. Finding:** The subcommittee believes that there should be a strong public commitment to see that farming survives and that rural communities are provided with the tools necessary to meet the economic challenges of the next decade. Policies should be instituted that allow the strong work ethic and entrepreneurial spirit to flourish. An immediate priority should be given to increasing the competitiveness of our tobacco growers and the agricultural communities by providing them with the latest in production technology. VCE and agricultural research programs have been the primary source of information and technical assistance for Virginia's farm families. Significant reductions in research and extension budgets seriously threaten the ability of these agencies to provide the latest research and educational materials that are so essential in making farming operations competitive and profitable. Therefore, the subcommittee recommends:

**Recommendation:** That the General Assembly adopt a resolution requesting the funding of Virginia Cooperative Service and agricultural research programs be restored to a level that will enable them to meet the needs of the agricultural community (Appendix B).

**B. Finding:** A fundamental problem faced by those involved in agriculture and agribusiness is their inability to secure sufficient financing for new or expanding operations.

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<sup>3</sup> John L. Knapp, Tobacco in Virginia, Weldon Cooper Center for Public Service, December 1995, p. 5.

<sup>4</sup> Ibid., p. viii.

Although a number of state economic development financial assistance programs are available, including the Private Activity Tax Exempt Bond Program, the Virginia Small Business Financing Authority Industrial Development Bond Program, the Virginia Small Business Financing Authority Umbrella Bond Program, the Virginia Economic Development Revolving Loan Fund, the Loan Guaranty Program, and the Export Financing Assistance Program, the majority of these have been available for economic development projects that provide both a high level of capital investments and jobs. The lending criteria and capital limits of these programs favor manufacturing and industrial business by requiring performance-based incentives that match the specific needs of these types of businesses. Their applicability to agricultural production ventures is restricted since these ventures are typically very capital intensive, often requiring an investment of nearly a million dollars for facilities and equipment, while only directly employing a small number of workers. Private financial institutions are reluctant as well to lend money to agricultural enterprises, except at a high interest rate. The subcommittee recognizes that the government cannot and should not replace the private sector as the primary source of financing for agriculture-related ventures. However, successful capital access programs, such as the one in Michigan, have been developed bringing together government, private financial institutions and businesses seeking venture capital. The most successful of these programs remain in the hands of the banks. The subcommittee finds that Virginia lacks a strategy for attracting privately managed investment and working capital to its rural agricultural communities. Therefore, the subcommittee recommends:

**Recommendation:** That the Small Business Commission study capital access and the financing of agricultural enterprises. As part of its study, the commission should examine (i) new initiatives and existing state programs which may increase the accessibility to public and private capital; (ii) programs implemented in other states, such as Michigan, aimed at increasing the access to capital; and (iii) the appropriate role of the state in providing the agricultural community greater access to capital (Appendix C).

***C. Finding:*** A number of organizations and agencies, such as the Center for Rural Development, the Rural Economic Analysis Program at VPI-SU, the Weldon Cooper Center for Public Service at the University of Virginia, the Virginia Department of Agriculture and Consumer Services, the Community Resource Development Program, regional economic development councils, and several selected community colleges, have identified rural economic development issues and have begun to address some of the problems facing Virginia's rural communities. However, these efforts have taken place as discrete initiatives with little attempt to coordinate their activities. In 1995, the governor offered a strategic plan for economic development. Entitled Opportunity Virginia: A Strategic Plan for Jobs and Prosperity, the report proposed a strategy for ensuring that Virginia remains an economic leader into the twenty-first century. While acknowledging the importance of agriculture, the document does not offer a specific economic plan or program for rural agriculture development. It does, however, suggest that such a plan should (i) create an environment that strengthens the viability of the agriculture industry; (ii) create rural and urban partnerships to increase the contribution of the industry of agriculture to the economic development of our Commonwealth; and (iii) enhance the environment and ensure the safety and abundance of the food supply. In an effort to focus more attention on the economic issues affecting rural Virginia and to enhance coordination of and provide greater focus on agriculture-specific initiatives, the subcommittee recommends:

**Recommendation:** That the Departments of Economic Development and Agriculture and Consumer Services jointly develop and implement a rural economic development plan. The plan, at a minimum, shall address the following:

1. Education, including pre-kindergarten, primary, secondary and post-graduate resources (new schools and day care);
2. Infrastructure, including capital for water and sewer upgrading, waste management, law enforcement, housing, primary and secondary roads, and telecommunications;
3. Traditional industrial development-industrial parks and shell buildings and industry retention programs (including help in financing and in workforce training);
4. Recreational and cultural enhancement (parks, civic centers, and theaters);
5. Agribusiness incentives to promote the use of new technologies and reduce labor costs on the farm;
6. A revolving loan fund or loan guarantee program to help start or expand entrepreneurial activities, especially small business activities in rural communities; and
7. Development of an information base on potential employee interests and skills to assist in guiding economic and rural development efforts (Appendix D).

Respectfully submitted,

The Honorable Mitchell Van Yahres, *Chairman*  
The Honorable Charles R. Hawkins, *Vice-Chairman*  
The Honorable William W. Bennett, Jr.  
The Honorable Terry G. Kilgore  
The Honorable Richard J. Holland

# **APPENDICES**





LD0034480

**HOUSE JOINT RESOLUTION NO. 431**

Offered January 13, 1995

*Continuing the Joint Subcommittee Studying Alternative Strategies for Assisting Tobacco Farmers.*

Patrons—Van Yahres, Bennett and Kilgore; Senator: Holland, R.J.

Referred to Committee on Rules

WHEREAS, during the past year, the Joint Subcommittee Studying Alternative Strategies for Assisting Tobacco Farmers received testimony from individuals representing the various sectors of the tobacco industry including growers, tobacco warehouses, processors, researchers and lending institutions; and

WHEREAS, these individuals described domestic and international trends in the production, manufacture and sale of Virginia's flue-cured, burley, sun-dried, and fire-cured tobacco; and

WHEREAS, the increased competitiveness of other tobacco-producing countries combined with domestic health concerns will affect the stability of Virginia's tobacco markets; and

WHEREAS, testimony received by the joint subcommittee documented the significant contribution that tobacco makes to Virginia's economy, especially in the tobacco growing regions of south central and southwest Virginia; and

WHEREAS, several tobacco-producing states and a number of private organizations have begun to examine ways to supplement tobacco farmers' on-and off-farm income; and

WHEREAS, the joint subcommittee can play a role not only in coordinating these efforts, but also in providing a forum for the discussion and development of policies promoting Virginia's tobacco farmers; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Subcommittee Studying Alternative Strategic for Assisting Tobacco Farmers be continued. The membership of the Joint Subcommittee shall continue as originally constituted. Any vacancies shall be filled in the same manner as the original appointment.

The direct costs of this study shall not exceed \$4,500.

The Division of Legislative Services shall provide staff support for the study. All agencies of the Commonwealth shall provide assistance to the Joint Subcommittee, upon request.

The Joint Subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

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960011480

HOUSE JOINT RESOLUTION NO. 197

Offered January 22, 1996

Expressing the sense of the General Assembly that the funding for the Virginia Cooperative Extension and agricultural research programs be restored to a level that will enable them to meet the needs of their service population.

Patrons—Bennett, Abbitt, Armstrong, Barlow, Clement, Council, Croshaw, Crouch, Deeds, Hull, Jackson, Phillips, Reynolds, Stump, Tate, Thomas and Van Yahres; Senators: Hawkins and Houck

Referred to Committee on Rules

WHEREAS, Virginia Cooperative Extension (VCE) was established in 1914 in response to the federal Smith-Lever act, which appropriated federal funds to land grant colleges and universities to provide a community education program known as cooperative extension; and

WHEREAS, Cooperative Extension's mission is to empower "people of the Commonwealth to improve their lives through educational experiences focused on their needs and community interests"; and

WHEREAS, to fulfill this mission, VCE professional and paraprofessional staff are located in 107 units across the state providing educational program services to the residents of the Commonwealth; and

WHEREAS, staff of the VCE and the agricultural research centers are conducting research in a wide array of specialties, including agricultural technology and production efficiency and disseminating this important information to the agricultural community; and

WHEREAS, in 1994, 1.4 million Virginians participated in VCE-sponsored education programs, and 45,000 volunteers assisted in the delivery of these programs; and

WHEREAS, over the last several years VCE has experienced significant cuts in its budget, resulting in VCE currently being one-half the size it was in 1980; and

WHEREAS, the total number of agents have been reduced from 370 in 1989 to 232 in December 1995, including a reduction in agricultural and natural resources (ANR) agents from 140 to 95; and

WHEREAS, between 1989 and 1995 the number of specialists which support field programs in the Colleges of Agriculture and Life Science (including 4-H), Forestry and Wildlife Resources, and Human Services declined from 121 to 85.5 full-time employees (FTEs), with ANR specialists being reduced from 85 to 67; and

WHEREAS, the downsizing of VCE has resulted in most counties lacking an agent in one or more program areas, and the Counties of Powhatan, King George and Mathews and the Cities of Alexandria and Danville having no full-time agents; and

WHEREAS, Virginia's tobacco regions have been significantly affected by the continued vacancy of two tobacco agent positions in southside, which provided assistance to flue-cured tobacco growers in the Counties of Pittsylvania, Franklin, Mecklenburg and Brunswick, as well as the absence of a researcher/agent in the Glade Springs experimental station to serve burley tobacco growers of southwest Virginia; and

WHEREAS, the services offered by the two tobacco agents who left state service were considered so crucial to the tobacco communities of southside Virginia that several local governments have committed local moneys to fund these positions on a short term basis; and

WHEREAS, this is instance of local government's willingness to provide a crucial service which previously has been the responsibility of state government; and

WHEREAS, since 1994 the extension service has experienced a 20 percent reduction in staff, much of which is attributable to employees leaving under the Workforce Transition Act (WTA); and

WHEREAS, under the WTA, over 100 VCE and agricultural research staff left state service, resulting in a loss to the program of approximately \$3.9 million; and

WHEREAS, there is concern that the downsizing of VCE and agricultural research has placed Virginia's agricultural producers at a competitive disadvantage with their counterparts in neighboring states; and

WHEREAS, Virginia ranks third lowest among the 13 southern states in terms of per capita

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HJ197

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1 general fund appropriations for Cooperative Extension, with Arkansas ranking first (\$7.44) and  
2 Virginia eleventh (\$3.43); now, therefore, be it

3 RESOLVED by the House of Delegates, the Senate concurring, That the funding of Cooperative  
4 Extension Service and agricultural research programs be restored to a level that will enable them to  
5 meet the needs of their service population.

6 RESOLVED FURTHER, That the Clerk of the House of Delegates transmit a copy of this  
7 resolution to the Governor, President of Virginia Polytechnic Institute and State University, the  
8 Director of the Department of Planning and Budget, and the Secretary of Finance.

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960013480

**HOUSE JOINT RESOLUTION NO. 34**

Offered January 16, 1996

*Requesting the Small Business Commission to study capital access and the financing of agricultural enterprises.*

Patrons—Thomas, Abbitt, Armstrong, Behm, Bennett, Clement, Cranwell, Croshaw, Crouch, Deeds, Dickinson, Hull, Jackson, Phillips, Puller, Reynolds, Shuler, Stump, Tate, Van Yahres and Woodrum; Senator: Hawkins

Referred to Committee on Rules

WHEREAS, the fundamental challenge faced by agriculture and agribusiness is the inability to secure sufficient financing for new or expanding operations; and

WHEREAS, there are currently a number of state economic development financial assistance programs available, including the Private Activity Tax Exempt Bond Program, the Virginia Small Business Financing Authority Industrial Development Bond Program, the Virginia Small Business Financing Authority Umbrella Bond Program, the Virginia Economic Development Revolving Loan Fund, the Loan Guaranty Program, and the Export Financing Assistance Program; and

WHEREAS, many of the state bond programs have historically been used for those economic development projects that provide both a high level of capital investments and jobs; and

WHEREAS, the lending criteria and capital limits of most of these programs favor manufacturing and industrial businesses by requiring performance-based incentives that match the specific needs of these types of businesses, and thus restrict their applicability to agricultural production ventures; and

WHEREAS, agricultural production enterprises are typically very capital-intensive, often requiring an investment of nearly a million dollars for facilities and equipment, while only directly employing a small number of workers; and

WHEREAS, experience has shown that private financial institutions are reluctant to lend money to agricultural enterprises except at a high interest rate; and

WHEREAS, government cannot replace the private sector as the primary source of financing for agricultural enterprises; and

WHEREAS, the State of Michigan has developed a successful capital access program which brings together government, private financial institutions and businesses seeking venture capital, with loan decisions remaining in the hands of the banks; and

WHEREAS, Virginia lacks a strategy for attracting privately managed investment and working capital to our rural agricultural communities; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Small Business Commission be requested to study capital access and the financing of agricultural enterprises. The Commission shall examine the following: (i) new initiatives and existing state programs which may increase the accessibility to public and private capital; (ii) programs implemented in other states, such as Michigan, aimed at increasing the access to capital; and (iii) the appropriate role of the state in providing the agricultural community greater access to capital.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

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960012480

## HOUSE JOINT RESOLUTION NO. 45

Offered January 17, 1996

*Directing the Departments of Economic Development and Agriculture and Consumer Services to develop and implement a rural economic development plan.*

Patrons—Kilgore, Armstrong, Bennett, Bloxom, Crouch, Johnson, Phillips, Ruff, Sherwood, Stump, Tate, Van Yahres, Weatherholtz and Wilkins; Senator: Hawkins

Referred to Committee on Agriculture

WHEREAS, agriculture is very important to Virginia's economy; and

WHEREAS, the agricultural sector employs nearly nine percent of all working Virginians, including 49,000 Virginians employed on farms, 51,000 in the processing of agricultural products, 81,000 in distribution, and 69,000 in those companies that supply farmers with machinery and materials; and

WHEREAS, farming accounts for 11.6 percent of Virginia's economy, with the leading agricultural commodities (broilers, cattle and calves, wholesale milk, turkeys, tobacco, green houses and nurseries, soybeans, peanuts, hogs, and eggs) generating approximately \$1.74 billion annually in at-gate farm income; and

WHEREAS, nationally, Virginia ranks third in the production of fresh market tomatoes, fifth in tobacco, fifth in peanuts, sixth in turkeys, sixth in apples, ninth in broilers, twenty-first in sheep and lambs, twenty-second in hogs, and twenty-sixth in cattle and calves; and

WHEREAS, a number of organizations and agencies such as the Center of Rural Development, the Rural Economic Analysis Program, the Virginia Department of Agriculture and Consumer Services, the Community Resource Development Program, regional Economic Development Councils, and selected community colleges have identified rural economic development issues and have begun to address some of the problems facing Virginia's rural communities; and

WHEREAS, "Opportunity Virginia: A Strategic Plan for Jobs and Prosperity" recognized the need to develop a strategic plan for agriculture; and suggests that such a plan have the following goals: (i) create an environment that strengthens the agriculture industry by (a) educating the public on the economic benefits of agriculture, (b) developing the necessary infrastructure to support rural Virginia, (c) expanding the worldwide market opportunities for Virginia products, and (d) continuing to develop a skilled and productive workforce; (ii) create rural and urban partnerships to increase the contributions of agriculture to the state's economy, and (iii) enhance the environment and ensure the safety and abundance of the food supply; and

WHEREAS, nowhere is such a plan more needed than in the tobacco communities of southside and southwest Virginia; and

WHEREAS, a recent study by Dr. John L. Knapp of the University of Virginia's Weldon Cooper Center for Public Service highlighted the importance of tobacco to certain communities when it found that tobacco represents 48.5 percent of the value of farm products in major Virginia tobacco counties; and

WHEREAS, census data suggests that in counties like Halifax and Pittsylvania and in the southside region, 60-80 percent of all farm sales revenues received are generated by tobacco; and

WHEREAS, diversification in Virginia's tobacco communities is difficult because the net returns generated by other agricultural pursuits are far below those generated by tobacco at current prices and costs of production, and tobacco counties afford few natural advantages for diversification in terms of topography, soil quality, rainfall, and proximity to markets; and

WHEREAS, farm employment and farm income have been dropping in the tobacco region of the state, in that from 1969 to 1993 farm employment's share of total employment fell from 14.7 to 6.9 percent and the share of personal income earned from farms fell from 6.2 to 0.9 percent; and

WHEREAS, currently there does not exist a cohesive and widespread policy of economic development for rural Virginia; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Departments of Economic Development and Agriculture and Consumer Services jointly develop and implement a

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- 1 rural economic development plan that at a minimum addresses the following:
- 2 1. Education, including pre-kindergarten, primary, secondary and post-graduate resources (new
- 3 schools and day care);
- 4 2. Infrastructure, including capital for water and sewer upgrading, waste management, law
- 5 enforcement, housing, primary and secondary roads, and telecommunications;
- 6 3. Traditional industrial development-industrial parks and shell buildings and industry retention
- 7 programs (including help in financing and in workforce training);
- 8 4. Recreational and cultural enhancement (parks, civic centers, and theaters);
- 9 5. Agribusiness incentives to promote the use of new technologies and reduce labor costs on the
- 10 farm;
- 11 6. A revolving loan fund or loan guarantee program to help start or expand entrepreneurial
- 12 activities, especially small business activities in rural communities; and
- 13 7. Development of an information base on potential employee interests and skills to assist in
- 14 guiding economic and rural development efforts.
- 15 RESOLVED FURTHER, That these agencies report their progress in establishing and
- 16 implementing a rural economic development plan to the House Committee on Agriculture and the
- 17 Senate Committee on Agriculture, Conservation and Natural Resources by November 1 of every year,
- 18 until the plan has been implemented.

<b>Official Use By Clerks</b>			
<b>Passed By</b>		<b>Passed By The Senate</b>	
<b>The House of Delegates</b>			
without amendment	<input type="checkbox"/>	without amendment	<input type="checkbox"/>
with amendment	<input type="checkbox"/>	with amendment	<input type="checkbox"/>
substitute	<input type="checkbox"/>	substitute	<input type="checkbox"/>
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Date: _____		Date: _____	
_____ Clerk of the House of Delegates		_____ Clerk of the Senate	

