

Case Study proposal

Tobacco Communities Reinvestment Fund – RAFI-USA

a) Background of the enterprise (the context [biophysical setting, market conditions, and commodity chain structure], initial strategy, evolution of strategy and enterprise structure, dynamics and resources involved in getting started; amount of start-up capital required?)

Due to recent changes in the tobacco industry, farmers, farm organizations, and communities are losing tobacco income. Farmers and communities that have historically been dependent on tobacco are now faced with the need to find other ways to survive. RAFI-USA created the Tobacco Communities Reinvestment Fund in 1997 to assist in development of enterprises that can supplement or replace tobacco income. The Reinvestment Fund provides cost-share grants to individuals and groups that are interested in setting up projects that demonstrate new ways to keep farms and rural communities viable. Financial support for the Tobacco Communities Reinvestment Fund comes from the North Carolina Tobacco Trust Fund Commission, which is responsible for the dissemination of part of the money from the Tobacco Master Settlement.

The TCRF provides farmers and communities with much-needed capital to develop new enterprises that keep farmers in operation. In addition, enterprises receive extensive technical support.

The TCRF is currently a pilot program, operating in 14 North Carolina counties.

b) Organizational form/scale/leadership (nature & legal form of the enterprise, number of members, capitalization and other major financial indicators, amount of product, leadership & decision-making structures, changes over time and reasons for changes)

The TCRF is a program of the Rural Advancement Foundation International – USA, a non-profit organization based in Pittsboro, NC. The TCRF is directed by a board of experts who bring practical expertise in farming, marketing, and rural communities to the table. Half of TCRF Steering Committee members are farmers. Steering Committee members both evaluate applications to the TCRF and provide technical support to projects.

In 2003, 20 cost share grants were awarded totaling \$230,000.

c) Nature of products and the "value chain" (production, processing, distribution/marketing- including strategic alliances with other organizations)

The TCRF provides enterprise development cost-share grants to farmers and communities. There are two types of grants; producer grants for farm enterprises of up to \$10,000 and community grants of up to \$20,000. Qualifying farmers must be from one of 14 target counties, must be actively engaged in farming, and must have derived a significant portion of their income from tobacco at the time of the Master Settlement

Agreement. The application process is designed to be “farmer friendly” with a minimum of paper work.

The TCRF selects projects that have a likelihood of replacing lost tobacco income, develop new uses for greenhouses, add value to existing farm products through processing, packaging, marketing in a special way, make new use of existing equipment, maintain or create quality employment, including self-employment or opportunities for home-based businesses, and make optimal use of on-farm and natural resources.

Once selected, grant recipients receive extensive technical assistance including enterprise financial consulting, marketing assistance, and assistance with gaining access to existing technical resources.

Grant recipients are also expected to provide outreach to share the lessons that they have learned through the project with others.

d) Economics of the enterprise (pricing strategies, nature of competition/competitors; rough gross and net incomes for the enterprise and for enterprise members)

The TCRF provides \$230,000 in grants per year. The total budget is \$300,000. With this investment, TCRF grant recipients were able to gain access to more than \$900,000 from other sources.

In addition, 2003 grants enabled 170 people to remain employed on the farm.

e) Key opportunities & challenges engaged (strategies for recognizing and engaging opportunities and challenges)

Start-up capital is a major barrier to the development of alternative farm enterprises. Frequently lenders require crop histories and production records that are by definition not available for new enterprises. This grant program provides capital that is accessible for farmers and rewards the type of innovation that will result in successful enterprises.

In addition, many farmers are inexperienced as entrepreneurs. This program links grants with technical assistance on both production and entrepreneurship.

Frequently farmers try new enterprises because the old enterprise is not successful. The debt associated with this situation can doom the best conceived project. The TCRF provides financial counseling to deal with back debt and separate the new enterprise from the old.

This program emphasizes collaboration between farmers, communities, non-government and government organizations.

f) Replicability in other settings (How adaptable is the enterprise to other settings? How generalizeable is the strategy? What are the implications for sustainable agriculture and alternative commodity chain activities elsewhere?)

This program was designed as a model with great potential for replication. In North Carolina, tobacco farmers represent a significant number of “farmers in the middle” who are facing the loss of their farms. The lessons from this program

g) Research, education/demonstration, or policy changes that would strengthen the enterprise or similar enterprises (What inputs from research, education, or policy institutions were drawn on and found useful? What research, education, or policy inputs would strengthen enterprises like the one being described?)

h) other comments.