

TOBACCO
Situation

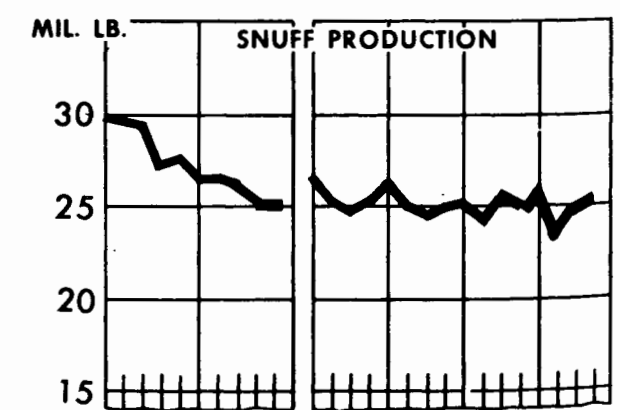
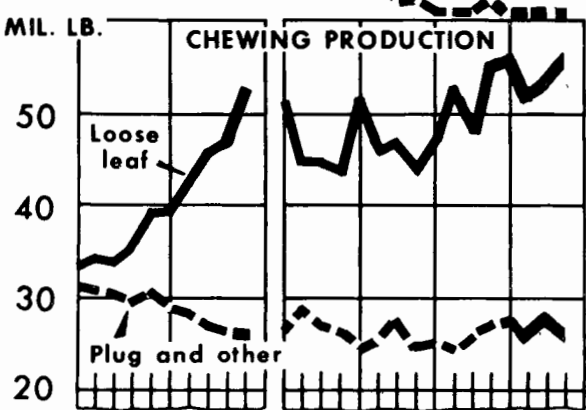
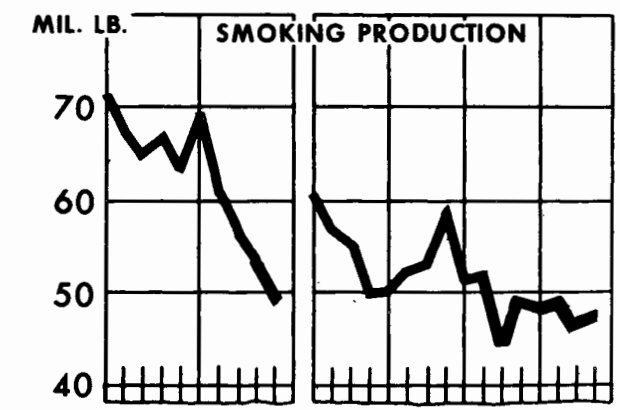
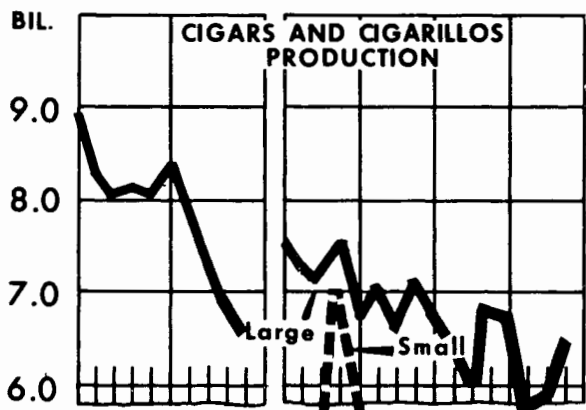
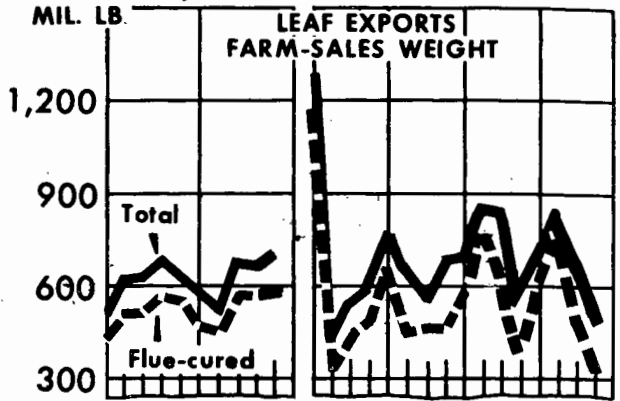
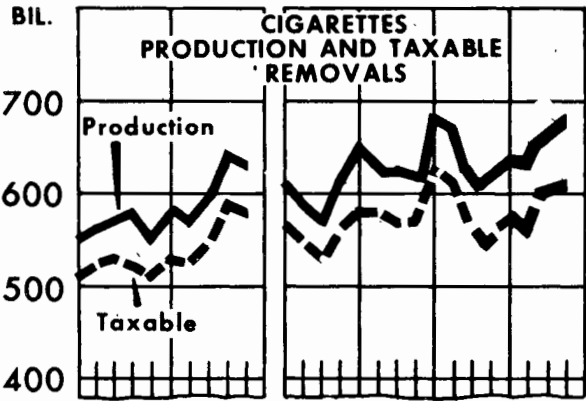


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TOBACCO OUTLETS

Trends in Manufactured Products and Exports



1965 70 75 72 73 74 75
 ANNUAL QUARTERLY SEASONALLY ADJUSTED AT ANNUAL RATES

1965 70 75 72 73 74 75
 ANNUAL QUARTERLY SEASONALLY ADJUSTED AT ANNUAL RATES

LAST QUARTER SHOWN ESTIMATED.

THE TOBACCO SITUATION

CONTENTS

	Page
Summary	3
Tobacco Products	4
U.S. Exports and Imports	9
Tobacco Leaf Situation and Outlook	14
Foreign Production and Sales	32
Tobacco Used in Cigarettes	34
Flue-cured Tobacco Processing Costs, 1966/67 and 1973/74	38
Statistical Summary	42
List of Tables	44

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Approved by
The Outlook and Situation Board
and Summary released
September 15, 1975

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SUMMARY

Tobacco production is gaining substantially this year but July's heavy rains in the Southeast followed by a dry spell hurt flue-cured quality. This year's tobacco crop is about a tenth larger than in 1974. In addition, carryover is a little larger than first forecast, thus bringing supply for the 1975/76 marketing year up by 5 percent. This increase follows 10 consecutive annual declines, and as a result, a supply of 5.2 billion pounds is in line with manufacturers' and exporters' utilization prospects.

Due to a 12 percent larger acreage, the September 1 estimate is for U.S. tobacco output of about 2.2 billion pounds, up 11 percent from 1974. Carryover of tobacco for the 1975/76 marketing year (beginning July 1 for flue-cured and cigar wrapper types, October 1 for all others) is up about 1 percent.

Total disappearance in 1975/76 may go a little above the 1.96 billion pounds for the marketing year now ending. U.S. cigarette production is expected to gain but U.S. tobacco, particularly flue-cured, is facing stronger competition in foreign markets. As economic growth resumes around the world, the tobacco industry is expected to record increased sales volume, but the U.S. share of world tobacco exports will remain under downward pressure.

For the year ending next June, U.S. cigarette output is expected to exceed the 627 billion cigarettes produced in fiscal year 1975. Population and per capita consumption are increasing. Cigarette price increases have lagged behind the price jumps in the rest of the economy. Persons 18 and older will smoke about the same number of cigarettes in calendar 1975 as last year's 208 packs per capita, raising total U.S. cigarette consumption by 1½ percent. Chewing tobacco output continues on the upswing. By contrast, the outlook for large cigars, snuff, and smoking tobacco, is for continuation of stable or declining trends.

Despite larger tobacco supplies and not much change in grower prices, leaf exports this fiscal year may not equal last fiscal year's reduced level of 604 million pounds (668 million, farm-sales weight). Stocks and production are picking up in other countries, and this year's U.S. flue-cured crop has been less actively sought by a number of desti-

The Tobacco Situation is published in March, June, September, and December.

nations, particularly EC countries. A slowdown in economic activity and less favorable dollar conversion rates contribute to this situation. Japan, our leading export destination, is expected to take more U.S. tobacco this fiscal year and West Germany could take about the same. The United Kingdom decreased its takings in 1974/75 and may take less in 1975/76, although the trade embargo with Rhodesia continues.

U.S. manufacturers' stocks of imported cigarette tobaccos (July 1) represent 2.3 years' usings. Foreign tobacco still maintains a price advantage so U.S. cigarette tobacco imports in 1975/76 may come close to last fiscal year's record of 270 million pounds (farm-sales weight). Imports for consumption in 1974/75 rose 34 million pounds.

In 1974/75, U.S. cigar manufacturers used about three-fourths foreign-grown and one-fourth domestic tobacco. Despite slipping sales, cigar manufacturers may again increase the share of imported tobacco.

USDA is considering a reduction in the national marketing quota for the 1976 flue-cured tobacco crop. Final determination will come by December 1. Individual farm quotas and allotments will reflect over-marketings and under-marketings in the current crop. Marketing quotas for burley and other kinds of tobacco will be announced by next February 1. Based on the formula required by law, 1976 price support levels for eligible tobaccos are likely to increase about an eighth over 1975.

The supply of U.S. flue-cured tobacco is increasing after 3 years of tight supplies. At 3.1 billion pounds, the supply of this leading kind of tobacco for cigarettes and exports is about 8 percent

above last year. The 1975 crop is indicated at 1.42 billion pounds, up 14 percent, and the carryover into the current season was up 3 percent. During the past marketing year both exports and domestic use declined; total use fell 8 percent, although some recovery is expected this season. Marketings will exceed use, so the carryover next July 1 is expected to rise sharply.

Farmers started selling the 1975 crop on July 8, the earliest opening on record. Under the grower designation program, farmers marketed nearly one-half of the 1975 flue-cured tobacco crop by September 15. Until mid-August, weekly sales volume was well below the same period of 1974. Prices gained moderately as the season progressed and by the second week of September prices to farmers reached \$1.04 per pound, 5 cents below that week a year earlier. For the season growers had placed 28 percent of marketings under government loan. Despite record low level of carryover loan stocks, heavy loan placements have raised total loan stocks back to 1973 levels.

The supply of U.S. burley tobacco may total about 2 percent above a year earlier. Currently, supply represents only 2.67 years' use, and the low level inhibits use. The crop is 6 percent larger than last year, and although acreage is up, yield prospects are down. Carryover from 1974/75 is up a little. Disappearance probably declined 3 percent during the 1974/75 crop year (October-September).

Larger crops are helping to maintain 1975/76 supplies of fire-cured and dark air-cured tobaccos. Supplies of cigar binder are about the same while Maryland, cigar filler and cigar wrapper supplies are reduced.

TOBACCO PRODUCTS

Cigarette Use Continues Gaining

U.S. cigarette smoking in calendar 1975 likely will gain 2 percent over 1974. More people are of smoking age, and per capita use is about the same as last year's level. This pattern illustrates the persistency of cigarette demand as cigarette prices are up and real income of consumers is reduced. With a pickup in economic activity in 1976, smoking may show a larger gain than this year.

The recession that brought growth in cigarette sales to a standstill in late 1974 and early this year meant manufacturers had to work off excess cigarette inventories. Output in the year ending June 30 was down 4 percent in contrast to a 7 percent gain in fiscal 1974. Normally output reflects sales trends, but manufacturers maintain about a month's requirements in warehouses.

In the first 7 months of 1975, cigarette exports decreased 1 percent. A year ago exports were up 20 percent. For 1975, output may gain about 4 percent from last year; next year's output may gain further.

Americans smoked 305 billion cigarettes in the first half of 1975, about 1 percent above the revised estimate for a year earlier. In the second half of 1975, the figure is expected to exceed the 299 billion of a year earlier.

Consumption per person (18 and older) this year is staying about the same as last year when 4,148 cigarettes (208 packs) were used (table 2). The filter share may gain again this year.

Cigarette Prices Rising

The uptrend in retail prices is continuing (table 3). In July, retail prices (filter-tip, king size) were 7 per

Table 1--Cigarettes: Output, removals, and consumption, 1960-75

Year	Output	Removals					Total U.S. consumption
		Taxable	Tax-exempt				
			Total	Exports	Puerto Rico	Overseas forces	
					1/			2/
3/	4/	5/	6/				
<u>Billions</u>							
1960	506.9	470.1	37.0	20.2	2.5	14.3	484.4
1961	528.3	488.1	39.6	22.2	2.8	14.6	502.7
1962	535.5	494.5	41.1	24.1	3.1	13.9	508.4
1963	550.6	509.6	41.1	23.6	3.2	14.3	523.9
1964	539.9	497.4	42.6	25.1	3.7	13.8	511.2
1965	556.8	511.5	44.2	23.1	3.9	17.2	528.7
1966	567.3	522.5	46.1	23.5	3.9	18.7	541.2
1967	576.2	527.8	49.0	23.7	3.9	21.4	549.2
1968	579.5	523.0	53.8	26.5	4.7	22.6	545.7
1969	557.6	510.5	47.1	25.0	3.7	18.4	528.9
1970	583.2	532.8	51.2	29.2	3.7	18.4	4/536.4
1971	576.4	528.9	49.2	31.8	2.7	14.7	5/555.1
1972	599.1	551.0	49.0	34.6	2.1	12.3	5/566.8
1973	644.2	590.3	55.9	41.5	2.0	12.4	4/591.2
1974	635.0	576.2	59.2	46.9	1.9	10.4	5/600.0
1975 6/	655.0	595.0	60.0	48.0	2.0	10.0	5/610.0
<u>Year ending June 30 --</u>							
1964	535.0	495.1	40.8	23.7	3.5	13.6	508.7
1965	562.4	517.0	43.9	25.1	3.7	15.1	532.1
1966	562.7	516.1	47.2	23.4	4.1	19.7	535.8
1967	572.8	524.9	47.7	23.8	3.7	20.2	545.1
1968	570.7	522.6	48.7	23.5	4.1	21.1	543.7
1969	573.0	520.3	51.5	25.8	4.4	21.3	541.6
1970	562.2	511.7	51.0	28.6	3.8	18.6	530.3
1971	585.1	539.6	47.5	29.0	3.2	15.2	4/544.0
1972	592.6	542.6	50.2	32.8	2.2	15.2	5/566.4
1973	615.6	562.7	50.4	38.3	2.3	11.8	5/576.8
1974	652.0	595.0	59.1	44.9	2.0	12.2	4/595.0
1975 7/	626.8	570.2	57.4	46.6	1.7	9.1	5/604.0

1/ Also includes Virgin Islands, Guam, American Samoa, Wake, and Canton and Enderbury Islands.

2/ Also includes ship stores and small tax-exempt categories.

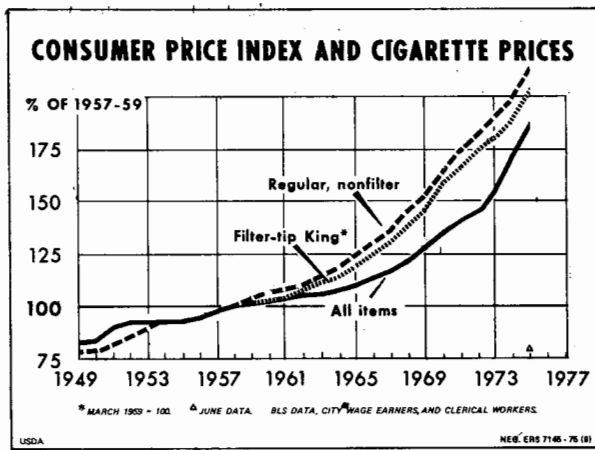
3/ Taxable removals, overseas forces, and small import categories.

4/ Excludes estimated inventory increase.

5/ Includes estimated inventory decrease.

6/ Estimated.

7/ Subject to revision.



cent above a year earlier. Manufacturers raised wholesale prices last November and distribution costs are up. The big jump in costs of tobacco and other ingredients occurred last year. But since some manufacturers average out costs as the tobacco is used some price increases could occur next year.

Unlike most years since 1964, State and local governments have held cigarette tax rates nearly constant the last 2 calendar years. Since the start of 1975 State cigarette tax rates went up in three States. The weighted average State cigarette tax was 12.4 cents per pack in mid-1975, about the same as a year earlier. State taxes range from two cents per pack in North Carolina to 21 cents in Connecticut. Many city and local governments also tax cigarettes. The Federal cigarette tax has been 8 cents per pack since 1951.

Government Agency Activities

In July, the Department of Health, Education, and Welfare (HEW) submitted its ninth annual report to

Congress on 'smoking and health—a summary of medical literature and recommendations. The HEW Secretary asked for authority to ban cigarettes containing excessive amounts of "tar", nicotine, carbon monoxide, and other ingredients considered harmful.

Last month, the Federal Trade Commission (FTC) determined that the six major cigarette manufacturers had failed to comply with a 1972 consent order concerning the display of the warning label and tar and nicotine content in certain advertising. The law provides civil penalties.

Cigarette exports from the United States to leading destinations, 1974-75¹

Country	July 1974- June 1975	January-July	
		1974	1975 ¹
	Billions	Billions	Billions
Hong Kong	4.6	2.8	2.0
Spain	1.5	1.8	1.2
Kuwait	2.5	1.8	1.2
Netherland Antilles ...	2.8	1.2	2.0
Paraguay .....	.8	.5	.4
France .....	.2	.2	.1
West Germany	1.1	.3	.6
Italy .....	.6	.3	.2
Ecuador	1.4	1.4	.4
Panama	1.5	.7	.5
Canary Islands	1.1	.8	.7
Lebanon	1.6	1.4	.5
Other countries	26.9	13.9	16.9
Total	46.6	27.1	26.7

¹ Subject to revision.

Large-Cigar Volume Drifts Lower

Consumption of *large cigars* (including cigarillos) this year may drop 2-3 percent below the 1974 level of

Table 2—Consumption per capita of tobacco products in the United States (including overseas forces), 1966-1975

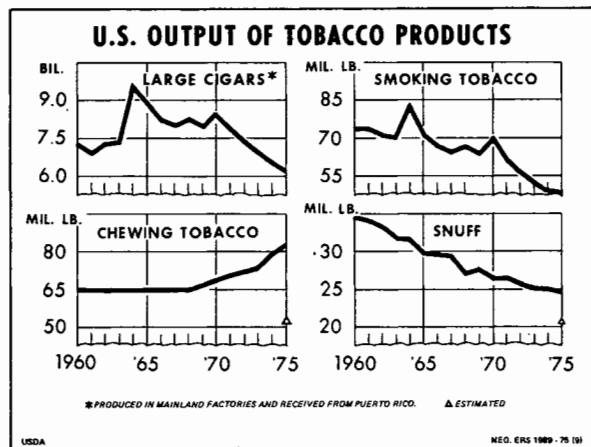
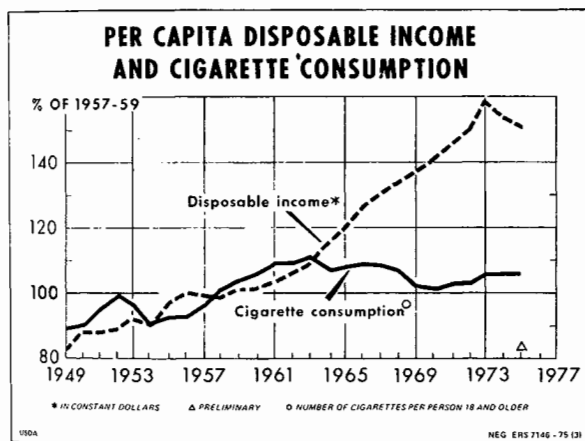
Year	Per capita 18 years and over				Per male 18 years and over			
	Cigarettes ¹		Snuff	All tobacco products ¹	Large cigars and cigarillos		Smoking tobacco ²	Chewing tobacco ²
	Number	Pounds	Pounds	Pounds	Number	Pounds	Pounds	Pounds
1966	4,287	9.08	.23	11.12	136.1	2.41	1.13	1.05
1967	4,280	8.86	.23	10.80	130.7	2.28	1.08	1.04
1968	4,186	8.69	.21	10.59	126.5	2.15	1.11	1.05
1969	3,993	8.11	.20	10.04	125.0	2.11	1.08	1.09
1970	3,985	7.77	.19	9.68	125.3	2.08	1.15	1.06
1971	4,037	7.75	.19	9.52	119.2	1.94	1.06	1.09
1972	4,043	7.95	.18	9.65	108.9	1.74	1.00	1.08
1973	4,148	7.92	.18	9.53	102.4	1.61	.88	1.10
1974 ³	4,148	7.80	.18	9.34	91.9	1.47	.88	1.13
1975 ⁴	4,148	7.80	.17	9.23	85.3	1.34	.78	1.17

¹ Unstemmed processing weight. ² Finished product weight. ³ Subject to revision. ⁴ Estimated.

Table 3—Tobacco demand factors, 1965-75

Year	Population July 1 ¹	Disposable personal income, per capita ²		Consumer price indexes				
		Current prices	1958 prices	All items	Tobacco products	Cigarettes		Cigars, regular size
						Nonfilter tip, regular	Filter tip, king size	
	Million	Dollars	Dollars	1967=100	1967=100	1967=100	1967=100	1967=100
1966	126.3	2,604	2,335	97.2	96.3	96.0	96.3	98.6
1967	128.3	2,749	2,403	100.0	100.0	100.0	100.0	100.0
1968	130.4	2,945	2,486	104.2	106.3	106.9	106.4	101.3
1969	132.5	3,130	2,534	109.8	111.9	112.7	112.3	104.3
1970	135.1	3,376	2,610	116.3	122.2	122.4	122.5	105.4
1971	137.5	3,605	2,683	121.3	126.4	127.9	128.1	107.1
1972	139.8	3,843	2,779	125.3	133.4	134.8	135.4	110.8
1973	142.2	4,295	2,945	133.1	137.0	138.7	139.1	112.9
1974 ³	144.6	4,623	2,845	147.7	143.8	145.5	145.9	119.5
1975 ⁴	147.2	5,011	2,862	161.0	153.5	156.0	156.5	124.0

¹ 18 years and older including armed forces overseas. ² Based on total population. ³ Subject to revision. ⁴ Estimated.



6.4 billion cigars. From a plateau of around 8 billion cigars annually in 1967-70, consumption had fallen one-fifth by 1974. Use will do well to hold its own next year (table 4). About 5 percent fewer cigars are being smoked this year, per male 18 and older, than 1974's average of 92 cigars. Midyear retail prices averaged 4 percent above year-ago levels.

The upward volume trend continues for imported cigars. Both U.S. and Puerto Rican production is down. Taxable removals (domestic consumption) of ci-

gars by revenue class, through June of this year showed substantial gains in the high price categories, continued declines in the lower price groups (Classes A-D), and a sag in the medium price group (Class E).

Small cigars (weighing not over 3 pounds per thousand) are holding their own this year. After the peak distribution in 1973, sales dropped last year. For 1975, taxable removals may equal the 1974 total of 3.2 billion. Since 1971, several new brands have been introduced and small cigars have taken a viable part of the tobacco products market.

Cigars: Taxable removals by revenue class, 1974-75

Revenue and retail price	January-June		Change from 1974
	1974	1975	
	Billions	Billions	Percent
A-D (up to 8 cents) . . .	1.66	1.54	-7.2
E (over 8 to 15 cents) . .	.98	.88	-10.2
F-G (over 15 cents) . . .	.43	.41	-4.7
Total removals	3.07	2.83	-7.9

Smoking Tobacco Output Declining

Smoking tobacco production for pipes and roll-your-own cigarettes this year is expected to set another record low, some 6 percent below the 49 million pounds of last year (table 4).

Imports account for more than one-sixth of U.S. smoking tobacco consumption. The import share

Table 4--Cigars and smoking tobacco: Output, removals, and consumption

Year and item	U.S. factories			From	Imports	Exports	Total U.S. consumption
	Output	Removals		Puerto Rico:			
		Taxable	Tax-exempt	taxable			1/
<u>Millions</u>							
Large cigars and cigarillos							
1967	6,858	6,846	197	1,099	30	76	8,096
1968	7,184	6,759	169	1,036	48	66	7,946
1969	6,931	6,739	169	1,080	45	65	7,968
1970	7,094	6,705	152	1,259	46	54	8,108
1971	6,707	6,506	131	1,222	48	46	7,861
1972	6,025	5,896	139	1,272	62	76	7,293
1973	5,655	5,554	143	1,304	75	107	6,969
1974	5,284	5,008	136	1,224	74	86	6,356
1975 2/	5,050	4,700	130	1,170	80	80	6,000
<u>Year ending June 30 --</u>							
1967	6,883	6,864	183	1,072	26	74	8,071
1968	7,234	6,868	192	1,114	38	77	8,135
1969	6,868	6,633	156	987	46	62	7,760
1970	7,108	6,755	165	1,186	47	58	8,095
1971	6,956	6,718	139	1,237	47	55	8,086
1972	6,353	6,217	145	1,274	53	65	7,624
1973	5,842	5,725	137	1,287	69	79	7,139
1974	5,296	5,184	133	1,281	72	108	6,562
1975 3/	5,166	4,864	132	1,169	76	80	6,161
<u>Million pounds</u>							
Smoking tobacco							
1967	64.8	62.7	2.0	---	3.7	1.3	67.1
1968	66.3	64.1	1.9	---	5.5	1.8	69.7
1969	63.9	62.6	1.6	---	5.7	1.1	68.8
1970	69.4	65.6	1.5	---	8.7	.9	74.6
1971	60.5	61.3	1.4	---	8.4	1.2	69.9
1972	55.9	55.1	1.3	---	11.9	1.1	67.2
1973	53.0	51.7	1.5	---	8.0	1.3	59.9
1974	49.0	49.0	1.0	---	10.9	1.3	59.6
1975 2/	48.0	47.0	1.1	---	8.5	1.6	55.0
<u>Year ending June 30 --</u>							
1967	64.3	62.3	1.8	---	3.2	1.1	66.2
1968	66.9	64.6	1.9	---	4.6	1.3	69.8
1969	63.7	62.5	1.7	---	5.3	1.8	67.7
1970	67.2	64.2	1.6	---	7.0	.9	71.9
1971	67.0	64.8	1.5	---	8.7	1.1	73.9
1972	57.6	57.6	1.3	---	10.6	1.4	68.1
1973	52.1	52.9	1.4	---	9.8	1.2	62.9
1974	51.8	48.3	1.2	---	9.3	1.4	57.5
1975 3/	48.7	47.5	1.1	---	9.6	1.6	56.6

1/ Total removals (or sales) from U.S. factories plus those from Puerto Rico, and imports, minus exports. 2/ Estimated. 3/ Subject to revision.

Compiled from reports of the Bureau of Alcohol, Tobacco, and Firearms and the Bureau of the Census, and AMS, USDA.

has grown for several years, although volume since 1970 has stabilized around 10 million pounds annually. Imports come mostly from Sweden and the Netherlands.

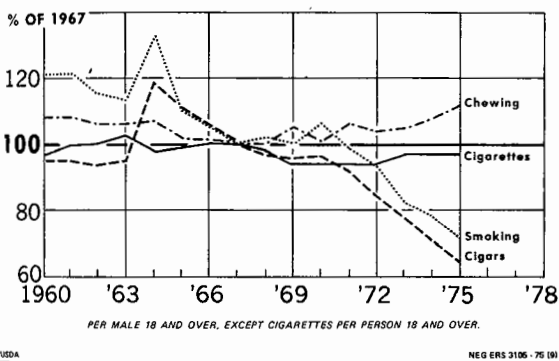
In the first half of this year domestic use of smoking tobacco, including imports, totaled 27 million pounds, 11 percent below a year earlier. Declines were recorded in the two major categories—pipe and cigarette cut tobacco. By midyear wholesale prices averaged 20 percent above year-ago levels. The decline in smoking tobacco use is associated with gains in cigarette consumption since 1970.

Wholesale snuff prices at midyear were 17 percent above year-earlier levels. Virtually all U.S. output of snuff and chewing tobacco is consumed domestically.

Bulk Tobacco Exports Falter

Exports of smoking tobacco in bulk this year through July were substantially below a year ago and the calendar year total may fall 50 percent below the 39 million pounds in 1974. Switzerland, the leading destination until last year, apparently cut off further takings until inventories are worked off. Bulk exports consist primarily of specially prepared cigarette leaf and cut or shredded tobacco from U.S. and foreign-grown sources. Bulk tobacco goes mostly to foreign cigarette factories of American based companies or their foreign licensees.

PER CAPITA CONSUMPTION OF TOBACCO PRODUCTS



U.S. bulk smoking tobacco exports to leading destinations, 1974-75¹

Country	Calendar year 1974	January-July	
		1974	1975
	Million pounds	Million pounds	Million pounds
Italy	---	---	---
Dominican Republic	2.0	1.0	1.5
Switzerland	12.9	8.6	4.5
Netherlands	3.2	.9	.3
Spain	2.4	1.1	1.1
Peru . . . . .	.5	.1	.2
Ecuador	1.4	1.1	.6
Finland	2.8	1.3	1.3
Australia	1.6	.9	.5
Other countries	11.7	5.9	3.2
Total	38.5	20.9	13.2

¹ Subject to revision.

Compiled from publications and records of the Bureau of the Census.

U.S. EXPORTS AND IMPORTS

Calendar Year Leaf Exports Fall Below 1974 Peak

U.S. exports of unmanufactured tobacco during January-July were 19 percent below last year as overseas demand slumped. Higher prices and slower gains in cigarette sales are contributing factors. Following shortfalls in 1972 and 1973, overseas flue-cured production gained last year and may gain further this year. In the second half of 1975, exports may fall a tenth from last year's level. So leaf exports this calendar year are expected to total about one-seventh below 1974's peak of 651 million pounds (713 million, farm-sales weight) and

come near the 1966-70 average of 562 million (620 million, farm-sales weight).

Several overseas manufacturers decreased their stocks of U.S. tobacco in the past 12 months. The shift away from U.S. tobacco in several European Community countries, including the United Kingdom, is holding down the demand for U.S. exports. A larger U.S. crop and more price variation and selectivity will help hold U.S. exports higher than otherwise would occur.

For January-July 1975, a decline in exports of flue-cured and burley—the two principal export classes—accounted for most of the decrease in U.S. leaf tobacco exports (table 6). Dark-fired and Mary-

Table 5--Chewing tobacco, snuff, and small cigars:
Output by category, 1963-75

Period	Chewing tobacco					Snuff	Small cigars <u>2/</u>
	Plug	Twist	Fine-cut	Loose leaf	Total <u>1/</u>		
	- - - - - Million pounds - - - - -						<u>Millions</u>
1963	24.9	2.9	3.3	34.2	65.4	31.8	281.4
1964	25.9	2.8	3.5	34.0	66.2	31.4	973.9
1965	24.7	2.8	3.7	33.9	65.1	29.7	440.7
1966	24.3	2.7	3.9	34.3	65.2	29.5	445.3
1967	23.7	2.6	4.1	34.0	64.4	29.3	434.2
1968	22.9	2.6	4.3	35.7	65.4	27.1	523.4
1969	23.3	2.5	4.5	39.5	69.8	27.6	720.2
1970	22.0	2.4	4.8	39.5	68.7	26.5	933.4
1971	20.6	2.4	5.1	43.3	71.4	26.4	1,135.4
1972	19.6	2.2	5.2	45.6	72.6	25.5	4,022.4
1973	18.6	2.1	5.7	47.6	74.0	25.3	4,415.0
1974	18.0	2.2	6.2	52.9	79.2	25.0	3,101.4
1975 <u>3/</u>	18.0	2.2	7.0	54.8	82.0	24.7	3,200.0
	Year ending June 30 --						
1964	25.9	2.8	3.4	34.2	66.3	31.9	913.2
1965	25.1	2.8	3.6	33.4	64.9	30.3	437.7
1966	24.5	2.9	3.8	34.2	65.4	30.0	474.7
1967	24.2	2.6	4.0	34.2	65.0	29.1	420.6
1968	23.2	2.6	4.2	34.7	64.7	28.6	462.1
1969	22.8	2.5	4.0	36.9	66.2	27.2	631.6
1970	23.0	2.4	4.9	40.1	70.4	26.3	870.8
1971	21.6	2.4	4.9	41.5	70.4	27.1	911.7
1972	19.9	2.3	5.2	45.5	73.0	26.0	1,655.1
1973	18.4	2.2	5.4	46.0	72.0	25.3	5,580.4
1974	18.7	2.1	5.9	48.1	74.8	24.8	3,427.6
1975 <u>4/</u>	17.9	2.2	6.7	54.8	81.6	24.7	3,158.2

1/ Detail may not add to total due to rounding.

2/ Weigh not more than 3 pounds per thousand.

3/ Estimated.

4/ Subject to revision.

Basic data compiled from reports of the Bureau of Alcohol, Tobacco, and Firearms and Agricultural Marketing Service, USDA.

Table 6—United States exports of unmanufactured tobacco by types and to principal importing countries for specified periods

(Declared weight)

Country and type	Year ending June 30—				January-July		
	Average 1969-72	1972	1973	1974 ¹	1974 ¹	1975 ¹	1975 as a percentage of 1974
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent
Flue-cured	403.2	366.7	392.2	448.9	237.9	201.1	84
Burley	48.2	44.4	52.4	67.7	44.7	35.9	80
Maryland	11.0	11.2	9.7	8.6	5.0	2.1	42
Fire- and sun-cured	23.7	25.7	22.3	24.2	15.7	9.6	61
Green River .....	.4	.3	.3	.2	.2	.2	100
One Sucker .....	.5	.3	.3	.4	.5	.1	20
Black Fat, etc.	24.7	2.9	3.1	2.7	1.4	2.1	150
Cigar wrapper .....	.2	3.1	2.9	2.1	1.5	2.7	180
Cigar binder .....	.4	.1	.1	.1	.1	.1	100
Cigar filler .....	.4	.4	.3	.6	.5	.1	20
Perique .....	.2	.2	.2	.2	.1	.1	100
Stems, trimmings, and scrap	62.9	68.9	85.3	101.6	51.1	35.2	69
Total	575.8	524.2	569.1	657.4	358.6	287.3	80
Country of destination							
United Kingdom	107.7	85.5	109.2	116.5	34.3	23.8	69
France	9.5	11.8	5.6	6.4	4.5	5.4	120
Belgium	14.5	10.4	18.2	13.9	9.6	4.1	42
Netherlands	31.0	24.5	24.2	35.2	19.5	14.6	75
West Germany	98.2	93.3	91.4	103.1	62.3	54.5	87
Denmark	14.6	19.5	21.7	24.3	² 1.7	1.2	70
Ireland	15.9	9.9	10.7	8.5	4.6	5.1	111
Switzerland	16.5	20.2	27.4	26.4	13.5	15.2	113
Finland	4.9	5.5	5.4	5.5	3.0	3.5	116
Norway	11.9	5.1	6.4	6.6	3.1	3.2	103
Sweden	18.0	17.7	16.6	15.6	4.8	4.0	83
Italy	9.1	24.0	18.9	25.3	22.2	30.7	138
Spain	12.1	4.6	3.8	6.4	5.8	6.2	107
Thailand	21.0	21.7	23.0	26.8	20.6	18.7	91
South Vietnam	10.8	18.8	19.1	13.2	10.5	1.9	18
Malaysia	9.0	9.8	9.1	13.5	8.1	4.0	50
Philippine Republic	19.7	7.9	6.5	13.9	8.6	5.9	68
Taiwan	9.2	13.4	14.0	20.8	23.7	12.4	52
Japan	41.2	62.5	73.3	88.7	41.9	35.2	84
Australia	14.3	11.3	13.4	19.6	9.7	4.1	42
New Zealand	3.9	3.8	5.0	5.9	3.6	3.1	87
Egypt	1.3	1.0	1.1	2.1	.6	.5	81
Other countries	50.4	41.8	45.1	59.0	9.0	48.5	70
Total	555.3	524.2	569.1	657.4	358.6	289.3	81

¹ Preliminary. ² Shipments of 1973/74 purchases were bunched at the end of calendar year 1973. Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

land shipments were also down. Most major destinations took less tobacco including West Germany, Japan, United Kingdom, Netherlands, Taiwan, Australia, Thailand, and South Vietnam.

Fiscal Year Total Off

Larger foreign supplies and weaker demand than anticipated brought U.S. tobacco exports for the year ending June 30, 1975, down 8 percent to 604 million pounds (668 million, farm-sales weight). However, higher prices helped raise total value 12 percent to \$861 million, a record fiscal year total. Flue-cured and burley tobacco largely accounted for the decline. Virtually all destinations took less. Along with manufactured tobacco product exports for fiscal 1975 worth \$373 million, the total value of tobacco and tobacco product exports reached a record \$1.2 billion, 12 percent above the previous fiscal year.

Exports to Western Europe decreased as takings by the EC fell sharply. Many countries have suffered from reduced levels of economic activity. The dollar-foreign currency conversion rate is less favorable for foreign buyers. Sharply reduced program shipments dropped the South Vietnam total, and except for Japan, other Asian destinations took less. Japan continues to use more U.S. tobacco to supply its growing cigarette industry. Barter sales remain low. Export credit sales have picked up. These programs were suspended at the beginning of fiscal year 1974, and only existing contracts were financed that year (table 7).

U.S. tobacco exports under government-financed programs (Public Law 480) in 1974/75 totaled 13 million pounds, about one-half the previous year. Egypt and South Vietnam were the only destinations. Programs with South Vietnam were cancelled in April when that government fell; contracts with Egypt have not been made for fiscal 1976.

Export Prospects

The current world demand and price situation indicates that the United States may not immediately regain the favorable level of tobacco exports enjoyed in fiscal 1974. Supplies of foreign tobaccos are increasing but the United States' remains the leading source for world trade. U.S. loan stocks are up but offer a limited range of grades. U.S. prices are stabilizing but they remain above most competing suppliers. Economic sanctions against Rhodesia began in 1966 and for a few years the demand for U.S. tobacco exports increased. But now many other countries have stepped up production to fill the gap left by Rhodesia.

Beyond this year, the likelihood of a further rise in U.S. prices, prospects of larger crops from lower cost overseas competitors, and further application

Tobacco: Government program exports to leading destinations, fiscal years 1974-75¹

Country	1973-74	1974-75 ¹
	Million pounds	Million pounds
	Foreign currency sales	
South Vietnam	13.4	5.1
Cambodia	1.7	0
Thailand	7.0	0
Philippines	1.5	0
	Dollar credit	
Egypt	---	7.5
Israel .....	.4	0
	Barter	
United Kingdom	2.8	0
Japan	0	0
West Germany	9.7	0
Taiwan	2.4	0
Denmark	12.1	0
Finland	1.5	0
Malaysia	1.0	0
Ireland	2.1	0
Norway	4.9	.2
Spain	1.1	0
	CCC credit sales	
Ireland	0	3.7
Malaysia	1.1	5.2
United Kingdom	0	15.6
Poland	0	2.4
Philippines .....	.1	3.9
Zaire	2.4	0

¹ Subject to revision.

of the trade-restricting features of the enlarged European Community may limit U.S. exports. Reaction to tobacco substitutes is mixed and testing is still underway to see if they can extend supplies of the natural product.

World cigarette consumption continues to increase about 4 percent annually. But technological changes in manufacturing, the trends toward filter

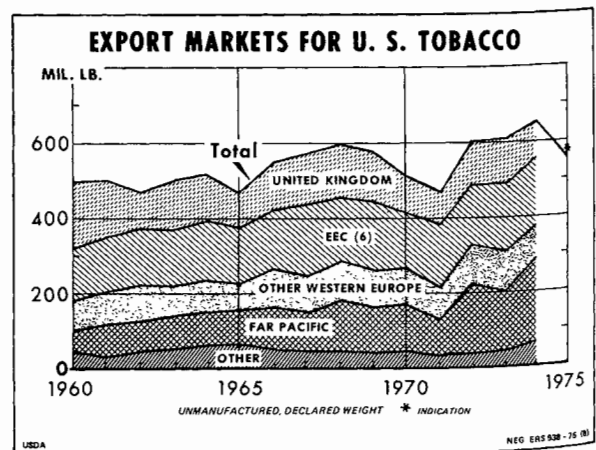


Table 7 --Exports of unmanufactured tobacco under Government-financed programs and commercial sales, average 1955-59, annual 1960-75, fiscal years

Year ending June 30	Government-financed exports				Commercial exports				Total unmanufactured tobacco exports
	Title I, P.L. 480		Mutual Security and A.I.D.	Total	Barter 1/	Dollar sales		Total	
	Foreign currency sales	Long-term dollar credit sales				CCC short term credit	Other		
Quantity (export weight)									
Million pounds									
Average: 1955-59	42.4	---	6.4	48.8	0.4	---	447.9	448.3	497.1
1960	41.9	---	23.2	65.1	29.4	---	362.1	391.5	456.6
1961	40.2	---	20.0	60.2	40.4	---	403.6	444.0	504.2
1962	26.1	---	2.8	28.9	77.4	---	413.7	491.1	520.0
1963	28.7	1.2	---	29.9	18.1	---	425.3	443.4	473.3
1964	35.5	3.8	.6	39.9	15.4	1.0	475.8	492.2	532.1
1965	21.2	4.5	5.1	30.8	18.8	.3	434.1	453.2	484.0
1966	43.2	1.3	5.8	50.3	76.9	---	345.0	421.9	472.2
1967	21.1	5.5	3.0	29.6	106.3	17.9	472.8	597.0	626.6
1968	22.9	10.9	.6	34.4	82.0	16.6	431.7	530.3	564.7
1969	19.9	16.9	.1	36.9	90.5	12.4	431.7	534.6	571.5
1970	10.6	11.1	---	21.7	132.0	48.1	369.2	549.3	571.0
1971	19.6	2.9	---	22.5	149.0	70.9	312.3	532.2	554.7
1972	21.0	2.0	---	23.0	176.8	40.6	283.8	501.2	524.2
1973	24.8	1.2	---	26.0	170.0	31.5	341.6	543.1	569.1
1974	24.2	.4	---	24.6	51.2	3.6	578.4	633.2	657.5
1975 2/	7.5	5.1	---	12.6	.2	42.3	548.9	591.4	604.0
Value									
Million dollars									
Average: 1955-59	30.4	---	3.3	33.7	.3	---	309.8	310.1	343.8
1960	30.8	---	18.4	49.2	19.6	---	273.1	292.7	341.9
1961	29.4	---	16.5	45.9	25.1	---	314.2	339.3	385.2
1962	19.6	---	1.8	21.4	46.3	---	339.8	386.1	407.5
1963	22.5	1.6	---	24.1	12.4	---	341.9	354.3	378.4
1964	23.8	2.9	.8	27.5	8.5	0.7	384.0	393.2	420.7
1965	14.9	4.6	2.8	22.3	13.1	.2	359.7	373.0	395.3
1966	29.9	.7	4.4	35.2	54.9	---	304.6	359.5	394.7
1967	15.6	4.0	2.4	22.0	84.6	15.9	427.2	527.7	549.7
1968	21.4	8.7	.6	30.7	75.3	14.1	373.6	463.0	493.7
1969	16.8	15.3	.1	32.2	91.5	11.7	371.5	474.7	506.9
1970	11.2	9.9	---	21.1	140.0	47.7	330.8	518.5	539.6
1971	19.1	2.7	---	21.8	162.0	76.6	276.6	515.2	537.0
1972	21.0	2.3	---	23.3	200.7	41.9	265.5	508.1	531.4
1973	27.3	1.3	---	28.6	205.0	34.3	346.0	585.3	613.9
1974	29.8	.4	---	30.2	62.0	3.3	674.8	740.1	769.9
1975 2/	9.5	7.0	---	16.5	.2	61.6	782.8	844.6	861.1

1/ Government-financed for strategic materials, 1958-62.

2/ Preliminary.

cigarettes—79 percent in Western Europe and Japan by 1973—and mini-cigarettes (shorter length and smaller diameters than regular size) mean that leaf requirements do not increase proportionately with cigarette consumption.

Last fiscal year the enlarged EC (nine countries) took almost one-half of U.S. tobacco exports. The EC's Common Agricultural Policy (CAP) for tobacco is in its sixth year of operation. EC tax features discourage use of U.S. tobacco. Italy is the biggest EC tobacco producer, and rising prices have brought Italian burley output about twice as large as the 1965-69 average. Under CAP provisions, the buyer's premiums provide a strong incentive for use of EC tobacco. In addition, export subsidies are available for surplus burley and Oriental tobacco.

Tobacco Imports Rising

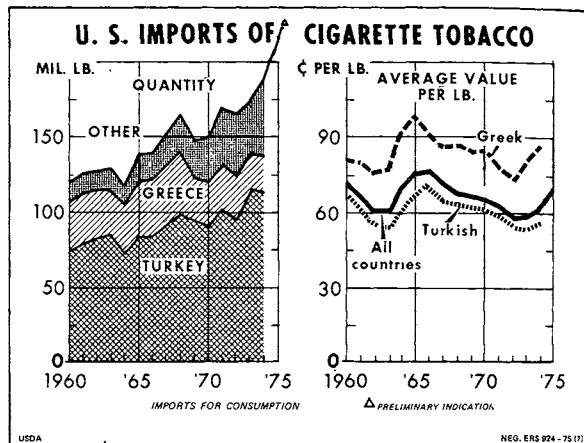
U.S. unmanufactured tobacco imports for consumption during January-July 1975 were 202 million pounds, 25 million above a year earlier (table 8). Most of the gain was cigarette leaf (flue and burley). For 1975, imports of unmanufactured tobacco probably will gain from last year's record of 300 million pounds.

The United States, the world's largest exporter of tobacco, is the third largest importer (after the United Kingdom and West Germany). Last fiscal year, U.S. cigarettes contained about 20 percent imported tobacco and cigars had about 75 percent.

U.S. cigarette leaf tobacco imports in 1974/75 fiscal year were valued at 62 cents per pound, exclusive of ocean freight and duties. On most oriental leaf imports a duty of 11½ cents per pound applies, while the duty for flue-cured and burley leaf is 12¾ cents. Scrap tobacco is dutiable at 16.1 cents per pound. Yet imports still offer domestic manufacturers considerable price advantage.

January-July 1975 arrivals of tobacco (general

imports) were 70 million pounds higher than a year earlier when cigarette manufacturers had to delay their usual purchases of oriental leaf. Stocks of foreign-grown cigarette and smoking tobacco in the United States rose further in the second quarter of 1975. On July 1, 1975, these stocks totaled 630 million pounds (farm-sales weight). This was one-fifth above the previous July 1 and a record high for that date.



U.S. unmanufactured tobacco imports for consumption increased one-tenth in the year ended June 30, 1975. Average value per pound also increased (table 9). The gain in imports was in cigarette leaf and scrap tobacco. Turkey and Greece remained the largest suppliers. The Philippines remained the largest source of scrap tobacco during 1974/75.

Arrivals of cigarette leaf increased sharply this past fiscal year as purchasing by manufacturers returned to normal for oriental leaf, and flue-cured and burley leaf jumped sharply. The latter is used for U.S. blends both here and in reexports.

TOBACCO LEAF SITUATION AND OUTLOOK¹

About two-thirds of U.S. tobacco is used in the United States and exports take the remainder. A decline in the use of U.S. leaf last season reduced the total disappearance to the 2.0-2.1 billion pound level that prevailed through the 1960's. With increased quotas and allotments, this year's U.S. production of all tobacco is forecast at 2.2 billion pounds, the largest crop since 1964. The result may be a reversal of the decline in stocks that persisted in recent years.

¹All quantities in this section are stated in farm-sales weight equivalent unless otherwise noted.

But several factors may reduce utilization of U.S. leaf in the years ahead. Worldwide, most tobacco is used in cigarettes. With tobacco the most costly input, U.S. manufacturers have adopted measures to economize on leaf use and minimize leaf cost per cigarette. Manufacturers prefer the taste, flavor, and aroma of U.S. tobacco but manufacturing techniques and filters have substantially benefited other tobaccos and reduced the U.S. advantage. As labor and other production costs accelerate, U.S. tobacco faces stiff competition. Tariff and non-tariff barriers of many governments hinder U.S. tobacco exports. Leaf production overseas is rising.

Table 8--U.S. imports of unmanufactured tobacco for consumption and general, principal categories, and countries of origin, fiscal year, and January-July 1974-75 ^{1/}

(Declared weight)

Classification and country of origin	Imports for consumption				General imports (arrivals)			
	Year, 1975		January-July ^{1/} 1974		Year, 1975		January-July ^{1/} 1974	
	July-June:		1975 as a percentage of 1974		July-June:		1975 as a percentage of 1974	
	1975	1974	1975	percentage of 1974	1975	1974	1975	percentage of 1974
	- Million pounds -		Percent		- Million pounds -		Percent	
Cigarette tobacco:								
Leaf, unstemmed								
Oriental								
Turkey	112.7	68.0	67.1	99	97.2	66.6	63.5	95
Greece	27.1	15.1	17.5	116	22.6	14.3	18.8	132
Yugoslavia	15.0	10.3	8.5	83	24.4	10.0	15.6	156
Lebanon	8.9	6.0	5.8	97	11.4	6.9	10.9	158
Other countries	6.4	2.0	6.0	300	45.9	13.4	31.2	232
Flue-cured and burley	42.3	10.3	30.5	296	81.9	30.3	58.7	194
Subtotal	212.4	111.3	134.4	121	283.4	141.5	198.7	140
Scrap								
Turkey	6.5	3.4	3.6	106	11.0	6.6	8.5	129
Other countries ^{2/}	26.6	9.9	12.2	123	32.8	15.9	13.1	82
Total cigarette tobacco	245.3	124.6	150.2	121	327.2	164.0	220.3	134
Cigar tobacco:								
Wrapper	1.2	.8	.8	100	2.0	1.3	1.1	85
Filler-stemmed and unstemmed								
Dominican Republic	2.2	1.3	1.4	108	13.1	7.7	9.5	123
Other countries	12.1	5.3	8.3	157	30.0	17.6	13.8	78
Subtotal	14.3	6.6	9.7	147	43.1	25.3	23.3	92
Scrap								
Philippine Republic	11.1	21.8	7.5	35	16.3	11.0	10.7	97
Colombia	4.4	1.9	3.2	168	3.1	1.7	1.9	112
Dominican Republic	8.2	3.7	5.6	151	2.1	1.4	1.6	114
Brazil	11.4	4.0	5.9	148	2.5	1.9	1.5	81
Other countries	19.2	11.0	12.7	118	26.8	10.6	18.7	176
Subtotal	54.4	42.4	34.9	82	51.0	26.6	34.4	129
Total cigar tobacco	70.2	49.8	45.4	91	96.4	53.2	58.8	111
Stems	6.9	2.1	6.0	286	6.6	2.1	6.2	295
Grand total	322.4	176.5	201.6	114	430.2	219.4	285.3	130

^{1/} Preliminary.

^{2/} Canada, Greece, Cyprus, Lebanon, India, Korea, Angla, Mozambique, Malawi, and Mexico.
Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

Table 9--U.S. imports of unmanufactured tobacco: Quantity and average value, by kinds, 1974/75

Kind	Quantity		Value per pound	
	Year ending	Change from	Year ending	Change from
	June 30, 1975	1973/74	June 30, 1975	1973/74
	- - - Million pounds - - -		- - - Cents - - -	
	Imports for consumption			
Cigarette				
Oriental leaf	170.1	-1.6	71.9	+15.6
Flue-cured and burley leaf	42.3	+238.9	48.9	7.5
Scrap ^{1/}	32.8	+26.6	57.1	+7.1
Cigar				
Leaf	15.5	+12.1	112.7	-7.0
Scrap	55.0	-14.5	51.7	+2.0
Total ^{2/}	322.4	+9.6	64.9	+8.9
	General imports			
Cigarette				
Oriental leaf	201.5	+44.0	98.4	+20.6
Flue-cured and burley leaf	81.9	+41.0	60.8	+11.2
Scrap ^{1/}	43.6	+27.6	77.4	+29.2
Cigar				
Wrapper	2.0	+2	396.7	-43.2
Filler	43.2	-.8	62.6	+10.9
Scrap	51.3	-6.8	60.2	+2.6
Total ^{2/}	430.2	+30.0	86.0	+18.7

^{1/} Turkey, Canada, Greece, Cyprus, Lebanon, India, and Korea, Mexico, Yugoslavia, Syria, Thailand, Angola, Mozambique, Zambia, Malawai. ^{2/} Includes stems.

Compiled from publications and records of the Bureau of the Census.

Table 10--U.S. tobacco allotments, by kinds of tobacco, 1975

Kinds	Allotments	Acreage allotted	Poundage allotted	Average size of allotment
	Number	Acres	Million pounds	Acres
Flue-cured (11-14) ^{1/}	192,045	2/839,106	1,572	3/8,186
Burley (31) ^{4/}	296,882	---	750	3/2,526
Va. fire-cured	5,361	11,329	---	2.11
Ky.-Tenn. fire-cured (22-23)	15,096	33,105	---	2.19
Dark air-cured (35-36)	20,040	12,021	---	.60
Va. sun-cured (37)	920	1,718	---	1.87
Cigar binder (51-52)	---	2/	---	---
Cigar filler and binder (42-44, 53-55)	5,691	19,582	---	3.44
Total	536,035	916,816	2,322	---

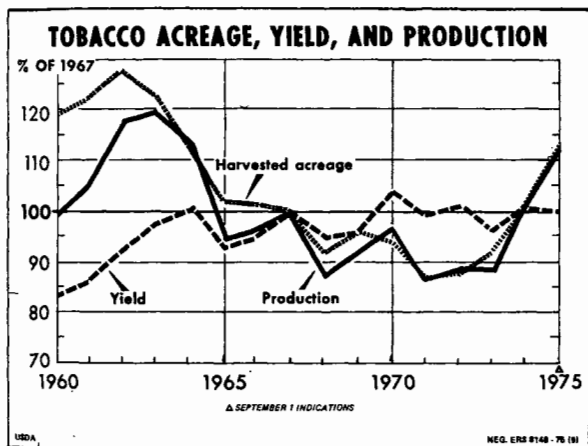
^{1/} Acreage poundage with national average yield goal of 1,854 pounds per acre. ^{2/} Acreage allotments terminated. ^{3/} Pounds. ^{4/} Poundage quota.

Compiled from records of the Tobacco and Peanut Division, ASCS, USDA.

All tobacco: Acreage, yield and production, United States, 1960-75

Year	Acreage harvested	Yield per acre	Production
	Thousand acres	Pounds	Million pounds
Average:			
1960-64	1,159	1,880	2,178
1965-69	942	1,958	1,845
1970	899	2,121	1,908
1971	838	2,035	1,705
1972	842	2,076	1,749
1973	887	1,965	1,743
1974	963	2,066	1,990
1975 ¹	1,084	2,031	2,200

¹ Indicated September 1, 1975.



Marketing Quotas and Allotments

USDA announced in August a flue-cured marketing quota of 1.3 billion pounds was being considered for 1976. By December 1, USDA will proclaim the 1976 flue-cured marketing quota on an acreage-poundage basis, the national average yield goal, and the matching national acreage allotment. Flue-cured growers approved acreage-poundage quotas for their 1976 crop in a 1973 referendum. Individual farm quotas and matching acreage allotments for next year's flue-cured crop will reflect this year's overmarketings and undermarketings. This year's flue-cured crop is falling short of the effective quota, so next year's effective quota will again exceed the basic quota (table 10).

By next February 1, USDA will announce the 1976 poundage quota for burley and acreage allotments for other kinds of tobacco under quota. Shortly after the announcement, growers of fire-cured and dark air-cured will vote in referendums for or against marketing quotas on their next 3 crops. Producers of burley, Virginia sun-cured, cigar binder, and Ohio filler approved marketing quotas applicable to the 1976 crop in previous referendums.

Maryland and Pennsylvania tobacco growers turned down marketing quotas in the last referendum (1974) so government price support is not available for their 1976 crops. Pennsylvania filler has never had marketing quotas. For Maryland, quotas last applied to the 1965 crop. In Puerto Rico the Commonwealth Government for many years has set filler tobacco quotas. Shade-grown wrapper (types 61-62) grown in Connecticut, Massachusetts, Georgia, and Florida is not covered by marketing quota legislation.

Beginning with the 1975 crop, producers who grow nonquota tobacco in quota areas will be subject to the prevailing quota when the nonquota tobacco has any characteristics of the quota tobacco. In 1974, about 3 million pounds of Maryland tobacco were grown in burley areas.

Table 11—Tobacco: Commodity Credit Corporation price support loan and program operations, 1973-75

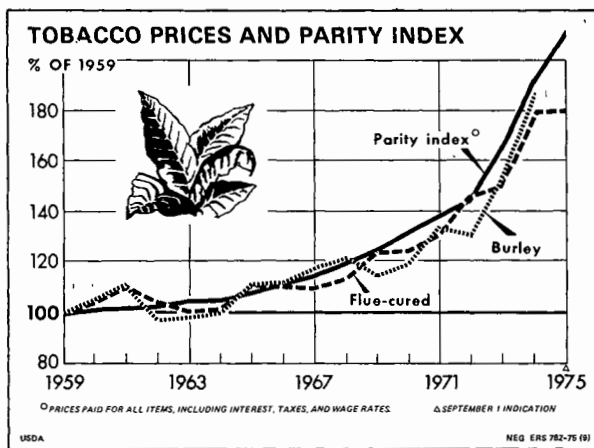
Item	Year ending June 30—		
	1973	1974	1975
	Million dollars	Million dollars	Million dollars
Loan operations			
New loans made	51.4	37.6	30.1
Repayments	241.8	269.1	161.0
Loans cancelled ¹	0	0	0
Charged off .....	.1	(²)	.2
Net additions (deductions) ...	(190.4)	(231.5)	(131.1)
Loans outstanding:			
Value	481.1	249.6	118.5
Quantity (mil. lbs.)	636	393	193
Program operations			
Export payments	27.8	13.7	3.1
Public Law 480 sales:			
Foreign currency	0	0	0
Dollar credit	29.6	30.9	17.7
Short term credit sales	34.3	3.3	61.6
Recovery of costs ³	26.0	25.0	35.0
Total costs ⁴	65.8	22.9	47.4

¹ Barter of commodities and services. ² Less than \$50,000. ³ Estimated. ⁴ Includes loan operations charged off. Data for 1950-71 in *Tobacco Situation*, TS-141, Sept. 1972, p. 37.

Compiled from Commodity Credit Corporation, *Report of Financial Conditions and Operations*, various issues.

Price Support Levels

For eligible 1976 tobacco crops, the overall price support seems likely to rise about one-eighth above the 1975 levels. This estimate is based on changes in the parity index. As required by law, the price support adjustment for 1976 will be based on the averaged of the parity index in 1973, 1974, and 1975 compared with 1959. For 1975, price supports increased 12 percent. Legislation has been ap-

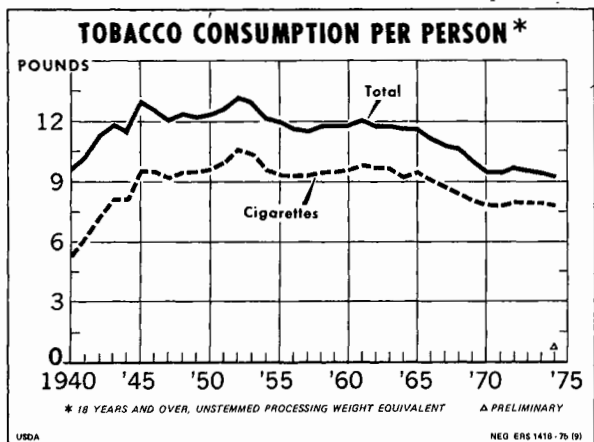


proved by the United States Congress to base the adjustment on the average of 3 previous marketing years instead of calendar years.

FLUE-CURED

Lower Auction Prices

The 1975 marketing season got underway on July 8 with sales in the Georgia-Florida (type 14) markets, July 9 in South Carolina-North Carolina border (type 13) markets, and a week later in Eastern North Carolina (type 12) and Old and Middle Belts (type 11). Markets opened the earliest on record, a week ahead of last year. Early sales, consisting largely of primings and nondescript tobacco of lower quality than last year, returned growers less than last year. This situation was disappointing to growers who placed 42 percent of the first 11 days of sales under loan. A few markets were closed by protesting growers. Further action was forestalled when market averages gained.



Every flue-cured crop is in some sense unique, and what distinguishes this season from its predecessors is the weather effect on the crop's quality. Compared with 6 inches normal, July rainfall over

the flue-cured belt averaged 11 inches and caused crop deterioration. Then in August, the crop suffered from dry weather. Quality declined in most areas.

At flue-cured auction markets this season through September 11 gross sales averaged 95.7 cents per pound, 5.7 cents below the same period last season (table 14). Most grade averages were lower than last season. Almost one-half of the crop had been sold by September 11 compared with 56 percent a year earlier (table 13).

Grade Prices Widen

The contrast between prices by grades for flue-cured tobacco last season and this season through August aptly describes 1974 as a tight supply season (disappearance equal or better than current and expected production) and 1975 as a weak market in which production will apparently exceed current and expected disappearance. The following data indicate that grade prices have been maintained this season for some of the better leaf grades at \$1.12 per pound, with many grades selling several cents above the support rate. Prices of lugs and primings dropped 3-8 cents per pound to the support level, while N2 tobacco, which carries no support, dropped 24 cents.

To receive price support, growers designated one or more warehouses for the sale of their crop. The USDA Flue-cured Tobacco Advisory Committee recommended the opening dates and selling schedules to USDA. A buyer rotation plan was in effect as selling time was allocated according to grower designation. Interbelt sales were at a minimum. Processing plant tieups have been avoided as the sales rate after the first month of 85-90 million pounds weekly has been about the same as last season.

Loan Receipts Start High

The price support level for the 1975 flue-cured crop averages 93.2 cents per pound, 12 percent above 1974. With the crop above probable disappearance, loan receipts through September 11 were 201 million pounds—about 28 percent of marketings. In the comparable period of the 1974 season, 3 percent went under loan.

To receive price support, flue-cured growers must certify they did not use DDT, endrin, toxaphene, or TDE pesticides and designate one or more warehouses for selling their crop within 100 miles of their county seat. Under quota legislation, growers receive price support on marketings up to 110 percent of their farm poundage quota. Marketings above a farm's poundage quota are deducted from the following year's quota. For marketings above 110 percent of the farm quotas, growers must pay a penalty of 79 cents per pound (75 percent of the average market price for the preceding year).

Table 12--United States exports of unmanufactured tobacco by types, to principal importing countries, crop years, 1972/73-1974/75 1/

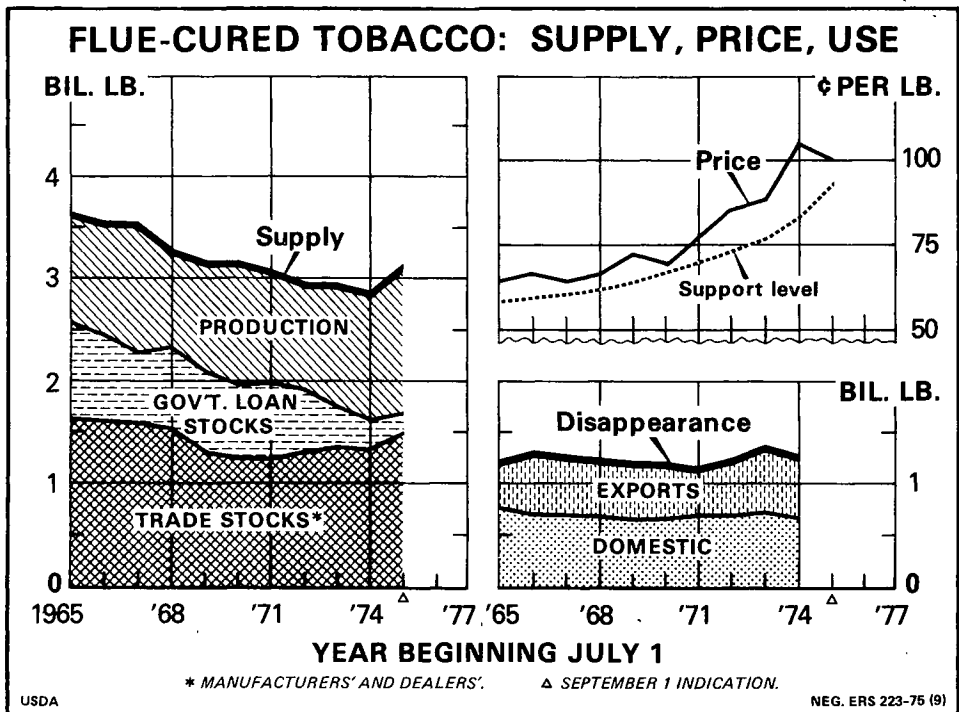
		(Declared weight)					
Importing countries	1972-1973	1973-1974	1974-1975 2/	Importing countries	1972-1973	1973-1974	1974-1975 2/
<u>Million pounds</u>				<u>Thousand pounds</u>			
<u>Flue-cured, types 11-14</u>				<u>Va. fire and sun-cured, types 21, & 37</u>			
United Kingdom	84.8	91.1	68.3	Switzerland	195	254	596
West Germany	69.9	75.8	71.1	Norway	1,893	1,240	1,218
Japan	52.4	61.7	71.4	Sweden	307	242	508
Netherlands	11.8	17.0	14.2	West Germany	237	965	492
Thailand	18.7	23.7	15.7	Other countries	845	1,112	514
Australia	10.0	14.2	8.6	Total	3,477	3,813	3,328
Italy	8.3	13.5	22.0				
Sweden	6.7	8.1	5.8	<u>One Sucker, type 35</u>			
Norway	3.2	4.3	3.3	Cameroon	54	343	0
Finland	3.4	2.9	2.8	Belgium	44	218	86
Denmark	13.9	13.8	7.7	Zaire	134	102	36
Ireland	7.7	6.8	7.7	Other countries	150	37	40
Belgium	13.5	10.7	7.6	Total	382	700	162
Switzerland	10.1	10.7	11.9				
South Vietnam	14.5	10.2	4.1	<u>Green River, type 36</u>			
Philippine Republic	3.9	6.6	4.0	United Kingdom	117	108	87
Spain	3.6	5.7	8.5	Zaire	44	74	0
Malaysia	7.0	11.0	7.3	Other countries	50	1	106
Taiwan	13.9	20.7	18.9	Total	211	183	193
New Zealand	3.8	4.3	2.9				
Other countries	31.1	36.1	51.0	<u>Cigar Filler, types 41-44</u>			
Total	392.2	448.9	414.7	New Zealand	---	304	0
				France	233	300	103
				Other countries	46	74	66
				Total	279	678	169
				<u>Conn. Binder, types 51-52</u>			
				West Germany	21	2	4
				United Kingdom	0	0	36
				Canada	21	7	49
				Other countries	50	109	81
				Total	92	118	170
				<u>Maryland, type 32</u>			
				<u>Wis. Binder, types 54-55</u>			
Italy	8.8	10.4	10.5	West Germany	0	0	0
Sweden	2.6	3.8	1.5	Other countries	5	0	1
Denmark	3.8	2.0	1.2	Total	5	0	1
Netherlands	2.6	2.9	1.2				
Japan	4.2	6.3	6.9	<u>Cigar Wrapper, types 61-62</u>			
West Germany	17.2	15.0	6.6	United Kingdom	1,155	549	713
Switzerland	4.6	3.6	.5	West Germany	598	482	392
Syria	1.2	1.0	1.7	Canada	272	312	185
Thailand	1.6	2.9	3.0	Dominican Republic	138	112	1,538
Philippine Republic	2.6	6.3	2.9	Canary Islands	183	159	23
Other countries	8.6	13.1	6.4	Other countries	550	513	1,037
Total	57.8	67.3	42.4	Total	2,894	2,127	3,888
				<u>Stems, Trimmings, and Scrap</u>			
				<u>Black Fat</u>			
Sweden	6.5	4.4	4.1	Dahomey	1,877	1,292	1,101
Denmark	5.4	7.1	2.6	Cameroon	390	483	510
United Kingdom	22.5	23.6	18.3	Niger	128	326	374
West Germany	5.0	8.9	6.2	Nigeria	211	192	232
Japan	16.6	20.7	24.7	Togo	405	240	285
Other countries	29.3	36.8	37.2	Other countries	131	109	418
Total	85.3	101.6	93.1	Total	3,142	2,642	2,920

1/ July-June crop year for flue-cured, cigar wrapper, stems, trimmings, and scrap; October-September for all other types except October-July for 1974/75. 2/ Subject to revision. Detail may not add to total due to rounding.
Compiled from publications and records of the Bureau of the Census.

Table 13--Flue-cured tobacco auction markets: Gross sales, average price, sales dates, through Sept. 12, 1974, and Sept. 11, 1975

Type and State	Gross sales		Average price per pound		Sales period	
	1974	1975	1974	1975	Opening date	Closing date
	Million pounds		Cents		1975	1975
	1974	1975	1974	1975	(1974)	(1974)
14, Ga.-Fla.	175.0	145.4	102.3	99.7	July 8 (July 15)	Sept. 2
13, S.C.-Border N.C.	188.9	196.1	100.3	96.0	July 9 (July 24)	Oct. 24
12, Eastern N.C.	222.0	226.8	100.8	95.5	July 15 (July 22)	Nov. 7
11a, Old and Middle Belts N.C., Va.	142.5	146.7	99.9	91.7	July 15 (July 22)	Nov. 21
All Belts <u>1/</u>	728.4	715.0	100.8	95.7	July 8 (July 15)	Nov. 21

1/ Computed from unrounded data.



Growers who undermarket their quotas in 1975 will have their 1976 quotas increased accordingly. For flue-cured this year, there will be more undermarketings than overmarketings, as has been the case in 8 of the previous 10 years (table 14).

U.S. flue-cured tobacco exports: Percentage stemmed form of total

(unstemmed equivalent basis)

Year ending June 30	Destination		
	United Kingdom	Other countries	All countries
	Percent	Percent	Percent
1962	17.3	6.3	10.1
1964	46.8	10.6	22.6
1966	89.3	12.6	33.0
1968	94.9	21.0	45.0
1970	95.2	42.5	58.2
1972	95.3	55.3	63.4
1974	99.1	61.7	69.9
1975	98.9	57.4	62.9

Disappearance Declines

During the year ended last June 30, disappearance of flue-cured tobacco was 1,200 million pounds, 8 percent below the record set the previous year (table 15). Both exports and domestic use were

down 8 percent. Domestic use was 7 percent below the average for the 1966-73 crop years.

The 8 percent drop in domestic disappearance is consistent with the decrease in cigarette output and increase in imports of flue-cured and burley leaf last year. During the 1950's and 1960's use of flue-cured tobacco per cigarette declined about 3 percent annually. Domestic disappearance during 1975/76 is likely to increase slightly due to the uptrend in the general economy and in cigarette output.

Flue-cured exports declined from a record level last season as competing foreign tobaccos were in more ample supply and relatively less costly. Trade with Rhodesia (formerly the largest exporter of flue-cured tobacco after the United States) remains dampened due to U.N. sanctions and production limits within Rhodesia.

Among leading destinations, Italy, Egypt, Libya, and Japan purchased more last season. For the 1975 season, purchases by Japan and Italy are expected to continue the uptrend of recent years, and West German manufacturers may maintain their purchases of U.S. tobacco. However purchases by United Kingdom may decline as manufacturers increase their takings from other sources and utilization prospects are dampened by lagging economies.

Table 14—Flue-cured and burley tobacco: Marketing quota and marketings, 1965-75

Year	Quota		Marketings				Net Carryover ²
	Basic	Effective	Actual	Over-quota	Under-quota	Effective under quota ¹	
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
Flue-cured, types 11-14							
1965	1,126.0	1,124.4	1,055.5	27.1	96.0	91.2	64.0
1966	1,135.0	1,199.0	1,107.9	35.0	126.1	111.1	76.1
1967	1,126.3	1,202.4	1,247.5	77.9	30.8	18.4	-59.5
1968	1,127.5	1,067.9	996.4	26.5	96.6	86.1	59.6
1969	1,127.4	1,187.0	1,052.1	26.6	157.9	145.9	119.3
1970	1,071.5	1,190.8	1,178.2	65.1	71.2	63.4	-1.7
1971	1,071.6	1,069.9	1,076.3	60.4	49.9	45.8	-14.5
1972	1,071.2	1,056.7	1,022.1	41.2	72.9	68.1	26.8
1973	1,178.7	1,205.6	1,159.0	54.8	100.5	95.3	40.5
1974	1,296.6	1,337.1	³ 1,245.3	50.0	138.9	132.4	82.5
1975	1,489.9	³ 1,572.3					
Burley, type 31							
1971	555.1	553.0	471.5	9.7	91.1	89.7	80.1
1972	531.5	611.5	588.6	30.7	45.7	44.6	13.9
1973	559.7	573.6	460.7	11.3	113.1	111.7	100.3
1974	606.5	706.8	607.9	23.0	121.6	106.1	83.1
1975	667.1	⁴ 750.2					

¹ Under quota marketing less ineligible carryover. ² Effective under quota marketings less over quota marketings. ³ Preliminary. ⁴ Subject to revision.

Compiled from records and reports of Tobacco and Peanut Division, ASCS.

Table 15—Flue-cured tobacco, types 11-14, and burley tobacco, type 31: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1965-75

Marketing year	Acreage harvested	Yield per acre	Production	Beginning stocks ¹			Total supply
				Manufacturers and other	Under loan	Total	
				Thousand acres	Pounds	Million pounds	
Flue-cured, types 11-14							
1965	562.3	1,883	1,059.0	1,636.9	918.5	2,555.4	3,614.4
1966	607.0	1,825	1,107.9	1,602.5	836.4	2,438.9	3,546.8
1967	610.3	2,070	² 1,250.0	1,587.1	685.4	2,272.5	3,522.5
1968	533.0	1,841	² 995.6	1,528.1	773.4	2,301.5	3,297.1
1969	576.8	1,825	1,052.8	1,299.6	800.5	2,100.1	3,152.9
1970	584.1	2,042	² 1,178.1	1,227.5	744.9	1,972.4	3,150.5
1971	525.8	2,050	² 1,076.3	1,214.5	761.9	1,976.4	3,052.7
1972	513.6	1,971	² 1,022.1	1,292.4	617.8	1,910.2	2,932.3
1973	575.1	2,011	² 1,159.0	1,347.0	402.3	1,749.3	2,908.3
1974 ³	616.3	2,014	² 1,245.1	1,330.6	276.7	1,607.3	2,852.4
1975 ⁴	717.6	1,980	1,420.5	1,259.4	179.9	1,651.8	3,072.3
Burley, type 31							
1965	277.1	2,116	586.3	1,099.3	316.4	1,415.7	2,002.0
1966	240.7	2,437	586.7	1,133.4	261.9	1,395.3	1,982.0
1967	237.7	2,274	540.6	1,104.8	276.7	1,381.5	1,922.1
1968	237.6	2,372	563.4	1,002.4	321.7	1,324.1	1,887.5
1969	237.7	2,488	591.4	975.7	340.8	1,316.5	1,907.9
1970	216.4	2,590	560.5	887.9	454.8	1,342.7	1,903.2
1971	213.5	2,213	472.6	882.4	468.4	1,345.8	1,818.4
1972	235.6	2,552	² 590.3	920.9	327.6	1,248.5	1,838.8
1973	222.1	2,028	² 461.4	952.5	276.7	1,229.2	1,690.6
1974 ³	261.2	2,345	² 609.0	931.5	139.2	1,070.7	1,679.7
1975 ⁴	279.8	2,312	647.0	1,044.7	35.0	1,079.7	1,725.7
Disappearance			Average price per pound		Price support level	Placed under Government loan	
Total	Domestic	Exports	Cents		Cents	Quantity	Percentage of crop
Million pounds	Million pounds	Million pounds	Cents		Cents	Million pounds	Percent
Flue-cured, types 11-14							
1965	1,175.5	752.4	423.1	64.6	57.7	71.5	6.8
1966	1,274.3	687.2	587.1	66.9	58.8	74.6	6.8
1967	1,221.0	687.7	533.3	64.2	59.9	282.1	22.6
1968	1,197.0	671.7	525.3	66.6	61.6	128.8	12.9
1969	1,180.5	645.9	534.6	72.4	63.8	97.6	9.3
1970	1,174.1	640.1	534.0	72.0	66.6	144.2	12.2
1971	1,142.5	662.5	480.0	77.2	69.4	55.7	5.2
1972	1,183.0	664.2	518.8	85.3	72.7	24.3	2.4
1973	1,301.0	703.0	598.0	88.1	76.6	30.7	2.7
1974	1,200.6	652.3	548.3	105.0	83.3	24.7	2.0
1975					93.2		
Burley, type 31							
1965	606.7	549.6	57.1	67.0	59.5	42.2	7.2
1966	600.5	544.1	56.4	66.9	60.6	62.5	10.6
1967	598.0	544.6	53.4	71.8	61.8	64.2	11.9
1968	571.0	516.1	54.9	73.7	63.5	56.2	10.0
1969	565.2	507.1	58.1	69.6	65.8	158.2	26.8
1970	557.4	503.0	54.4	72.2	68.6	47.7	8.5
1971	569.9	515.2	54.7	80.9	71.5	.2	---
1972	609.6	534.5	75.1	79.2	74.9	22.9	3.9
1973	619.0	533.1	86.8	92.9	78.9	.7	.1
1974	⁴ 600.0	⁴ 530.0	⁴ 70.0	113.7	85.8	2.8	---
1975					96.1		

¹ July for flue-cured; October 1, for burley. ² Sales. ³ Subject to revision. ⁴ Estimated.

Table 16--Flue-cured and burley tobacco: Stocks and stocks utilization ratios, manufacturers and dealers, 1952-75

(Farm-sales weight)

Marketing year	Flue-cured				Burley			
	Domestic manufacturers		Dealers		Domestic manufacturers		Dealers	
	Beginning stocks	Stocks usings	Beginning stocks	Stocks exports	Beginning stocks	Stocks usings	Beginning stocks	Stocks exports
	1/	ratio	1/	ratio	2/	ratio	2/	ratio
	Million pounds	Number	Million pounds	Number	Million pounds	Number	Million pounds	Number
1952	1,364	1.65	185	0.44	899	1.73	39	1.34
1953	1,400	1.80	214	.50	918	1.86	48	1.37
1954	1,447	1.94	189	.44	920	1.90	51	1.55
1955	1,485	2.04	242	.44	867	1.79	48	1.41
1956	1,577	2.24	225	.48	884	1.83	38	1.36
1957	1,594	2.16	274	.62	980	2.05	36	1.29
1958	1,406	1.91	286	.65	958	1.98	40	1.14
1959	1,328	1.73	242	.58	952	1.91	29	.81
1960	1,286	1.62	263	.55	1,048	2.06	53	1.29
1961	1,337	1.71	247	.51	989	1.88	50	1.11
1962	1,467	1.89	237	.55	1,049	1.98	55	1.04
1963	1,478	1.92	307	.62	1,044	2.03	90	1.58
1964	1,406	1.81	283	.64	1,060	1.89	87	1.55
1965	1,363	1.81	274	.65	1,023	1.86	76	1.33
1966	1,349	1.96	253	.43	1,065	1.96	68	1.21
1967	1,306	1.90	281	.53	1,038	1.90	67	1.26
1968	1,258	1.87	271	.52	966	1.87	36	.65
1969	1,081	1.67	219	.41	942	1.86	34	.59
1970	1,014	1.58	214	.40	858	1.71	30	.56
1971	1,010	1.52	204	.43	854	1.66	28	.51
1972	1,087	1.64	206	.40	888	1.66	33	.44
1973	1,154	1.64	193	.32	920	1.73	32	.37
1974	1,154	1.77	176	.31	900	3/1.70	31	3/.41
1975	1,259		213		3/1,000		3/45	

1/ July 1.

2/ October 1.

3/ Estimated.

Lease and transfer of allotments and quotas

Year	Flue-cured		Burley
	Thousand acres	Million pounds	Million pounds
1963	33.1	---	---
1964	41.8	---	---
1965	54.7	---	---
1966	80.1	138.0	---
1967	97.2	167.6	---
1968	122.9	214.6	---
1969	131.8	230.3	---
1970	146.3	255.1	---
1971	166.3	289.4	15.6
1972	182.9	322.1	50.4
1973	192.9	363.1	33.5
1974	234.1	416.1	81.6
1975 ¹	248.9	439.5	52.5

¹ Preliminary.

Compiled from records of Tobacco and Peanut Division, ASCS.

Supplies Expand

The increased carryover and bumper crop means that 1975/76 supply is above last season. Until this season, total supply had dropped 3 percent annually since 1964 to the lowest level since 1950. Flue-cured tobacco acreage for harvest this year is forecast 17 percent above 1974, due to last season's record prices and a larger allotment. Acreage was up fractionally from March intentions and gains from last year are estimated for all belts. Nationally, the yield estimate is about the same as last season. The Eastern North Carolina and North Carolina Border Belts may increase, but in the Old and Middle Belt, Georgia-Florida, and South Carolina yields may decline from those of last season. The September 1 forecast for flue-cured production was 1,421 million pounds—14 percent above 1974. Output is up in all States except Georgia.

Flue-cured carryover last July 1 totaled 1,652 million pounds. This was 3 percent above a year earlier. The supply—production plus carryover—is about 9 percent above the 2,852 million pounds in 1974/75. This year's supply is 2.6 times last year's use, about equal to the desired ratio based on legislative formula. The increase in disappearance expected this year will not offset the increase in supply this season and carryover next July 1 will increase further (table 16).

By September 1, uncommitted loan stocks of 1965-74 flue-cured tobacco—a component of the carryover and supply estimates above—totaled 100 million pounds. This was only two-thirds that of a year earlier. With the large loan take from this year's crop—Flue-cured Tobacco Cooperative Stabilization Corporation—the growers' organization handling price support loans—may hold about 350 million pounds of unsold stocks by January 1. Considerable loans from the 1975 crop and relatively

Tobacco loan stocks, 1973-75

Type	(Farm-sales weight)		
	End of August		
	1973	1974	1975
	Million pounds	Million pounds	Million pounds
Flue-cured, 11-14	385.7	294.0	145.2
Uncommitted	260.4	142.4	99.7
Burley, 31	288.3	146.9	40.6
Uncommitted	221.0	59.2	0
Virginia, 21	(¹)	0	.3
Kentucky-Tennessee, 22-23	3.3	1.4	.3
Kentucky-Tennessee, 35-36	13.3	6.3	.1
Ohio, 42-44	0	0	0
Puerto Rican, 46	0	5.3	1.4
Connecticut Valley, 51-52	2.3	2.2	.9
Total	693.0	456.1	188.8

¹ Negligible.

Compiled from records of Tobacco Division, ASCS.

large holdings of lower grade categories mean sales this season may remain negligible.

BURLEY

Burley tobacco (type 31) goes chiefly for cigarettes. In the marketing year just ending, nearly three-fourths of burley is going for U.S. cigarettes, 13 percent for other domestic products and exports will take about 12 percent. Domestic burley use remains below the 1964/65 peak due to short supplies. Despite the brisk demand for American type cigarette blends U.S. burley exports are hindered by high prices.

Disappearance Slows

Domestic use of burley tobacco for the year ending September 30 probably will total about the same as the 532 million pounds used in 1973/74 (table 15). Exports will be down about a fifth from the 87 million pounds last year. Total disappearance is expected to decline about 3 percent below the record of 619 million pounds set last season. This would leave October 1 carryover about 1 percent larger than a year earlier.

Disappearance for the first 9 months of the marketing year was 456 million pounds, 18 million less than in the year-earlier period. Both domestic use and exports declined. Domestic use totaled 404 million pounds, 5 million below 1973/74 figure that was the most for that period since 1966/67. With cigarette output again increasing, and burley in short supply, burley may not be able to maintain its historic share of the cigarette blend. Among the secondary outlets for burley, both bulk tobacco exports and smoking tobacco output are off.

For the first 10 months of this marketing year, burley exports totaled 55 million pounds, 19 million below a year earlier. Both Italy and Thailand took more. West Germany, the Netherlands, and the Philippines took less. Foreign burley production increased 36 million pounds in the 1974 crop year and a substantial increase is indicated for 1975.

Supplies Increased

The September estimate of the 1975 U.S. burley crop is 647 million pounds—6 percent above 1974. Acreage for harvest is up 7 percent. For 1975 the basic allotment is up and the effective quota is 6 percent more than last season. Prospective yields are slightly below last year's level. Burley tobacco prospects improved following early August rains, but the crop condition remains only fair to good.

Burley supply for 1975/76 (indicated carryover plus new crop) is about 1 percent above last year which was the lowest level since 1951. Prospective supply is about 2.7 times probable disappearance and is slightly below the desired supply based on legislative formula (table 17).

Since last winter there have not been any uncommitted loan stocks. Last year's loan receipts were negligible and few are expected this season.

Auction sales usually begin in late November. The 1974 crop sold for an average of 113.8 cents per pound. Price supports for 1975 burley average 96.1 cents per pound, about 12 percent above 1974. Proposed grade loan rates for 1975 range from 71 cents to \$1.03 per pound, reflecting the average support level. As proposed, grade loan rates go up from 5 to 12 cents per pound over 1974 levels.

SOUTHERN MARYLAND

Southern Maryland tobacco (type 32) goes almost entirely into cigarettes with about one-third

of the crop for export. But annual disappearance since 1950 has varied widely.

Use Picks Up

Disappearance of Maryland tobacco during the first 9 months of the marketing year that began October 1, 1974, totaled 27 million pounds—about 7 million above a year earlier. Domestic use rose while exports remained about the same. As supplies have picked up, U.S. manufacturers are apparently increasing the amount of Maryland tobacco in cigarette blends. For the 1974/75 marketing year, disappearance is expected to exceed reduced levels of the past 3 years (table 17).

Exports of Maryland tobacco remain low. In the first 10 months of the current marketing year, exports were 20 percent below the year-earlier period. Most markets took less tobacco, including Switzerland, the major destination in 1974. Swiss cigarette output is off.

Stocks Higher; Crop Lower

By next January 1 carryover probably will remain close to this year's 51.7 million pounds. The Southern Maryland crop is estimated at 25 million pounds, 17 percent below 1974 when yields were a record. Last year producers in other areas grew 2½ million pounds, but this season they may have grown less. Acreage allotments are not in effect, since growers disapproved a marketing quota for the 1975 crop. This year's crop plus the estimated carryover will provide a 1975/76 supply about 8 percent below the year now ending.

Auction sales for the 1974 Maryland tobacco crop began April 15 and ended June 13. Prices to growers averaged 95.55 cents per pound, a record high. Prices declined for almost two-thirds of the grades, and overall quality of offerings changed only slightly from the previous season. The higher price resulted from gains of 3 to 15 cents for first and second quality tobacco.

Table 17—Maryland tobacco, type 32: Acreage, yield, production, carryover, supply, disappearance, season average price, 1968-75

Marketing year	Acreage harvested	Yield per acre	Supply			Disappearance ¹			Average price per pound to growers
			Production	Stocks, Jan. 1	Total	Total	Domestic	Exports	
	Thousand acres	Pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Cents
1968	29.0	1,100	31.9	81.5	113.4	48.7	38.3	10.4	69.8
1969	26.5	1,060	28.1	66.7	94.8	41.3	29.1	12.2	75.1
1970	27.0	1,090	29.4	50.1	79.5	39.5	27.6	11.9	78.6
1971	27.0	1,040	28.1	46.0	74.1	25.5	17.5	8.0	81.9
1972	24.0	990	23.8	46.6	70.4	25.5	13.4	12.1	84.5
1973 ²	27.8	1,260	35.0	43.8	78.8	26.0	13.7	12.3	87.8
1974 ²	26.0	1,250	32.5	51.8	84.3	36.2	23.0	³ 13.2	92.2
1975 ^{2,3}	25.0	1,100	27.5	53.0	80.5				

¹Year beginning October 1. ²Includes sales and certification data from production in quota areas. ³Estimated.

FIRE-CURED

Fire-cured tobacco is used for making snuff, plug and twist chewing, cigars, and smoking tobacco. Since U.S. production of most of these products has declined over the past decade, the use of fire-cured tobacco has also fallen. With shorter supplies, exports are also reduced.

Disappearance Down

Disappearance of fire-cured tobacco (types 21-23) during the first 9 months of the marketing year that began October 1, 1974, was 27 million pounds, about 7 million below a year earlier. Curtailed supplies cut both exports and domestic disappearance. In October 1974-June 1975, snuff output (the major domestic use of fire-cured) was up slightly from a year earlier.

For the year ending this September, estimated disappearance is below last season's 46 million pounds but exceeds last year's output. Carryover stocks this October 1 will probably decline about 3 million pounds from last year (table 18). Kentucky-Tennessee (types 22-23) will absorb the decline while Virginia (type 21) stocks are stabilizing.

Exports of fire-cured tobacco in the season now ending are expected to decline from the 1973/74 exports. Exports of 13.5 million pounds of Kentucky-Tennessee types during October 1974-July 1975 were 6½ million pounds below a year earlier. Virginia fire-cured exports of 3.9 million pounds in October 1974-July 1975 were about the same as a year earlier.

Production Up; Stocks Down

The September estimate of fire-cured production was 39 million pounds, 21 percent higher than last year's record low crop. Acreage for harvest is 9 percent larger. Average yield per acre is indicated above last year.

Combined supplies of the fire-cured types for 1975/76—estimated carryover and production—total about the same as the 84 million pounds of a year earlier. Only 1 million pounds of loan stocks remain, about ½ million below a year ago.

In Malawi, the chief fire-cured exporter besides the United States, 1975 sales through July were 12 million pounds. This was 8 percent below last year. Auction prices this season averaged 80 cents per pound, 27 cents above last year.

DARK AIR-CURED

Dark air-cured tobacco (types 35-37) is used in the manufacture of plug, twist, fine-cut chewing tobacco, and snuff, and also to some extent for smoking tobacco and cigars. Production and use have

declined about half in the past 2 decades. Exports now account for only one-seventh of annual disappearance.

Disappearance Declines

Disappearance of dark air-cured tobacco during the first 9 months of the current marketing year was 12 million pounds, 3 million below a year earlier. Exports steadied, but domestic use fell. Last year's price to growers averaged 14 cents per pound higher than in 1973.

For the year ending September 30, 1975, total disappearance may drop about 4 million pounds from the 21 million of last year. This would mean a carryover slightly below the 40 million last October 1 (table 19).

Supplies Stabilizing

The September estimate of this year's dark air-cured crop is 15 million pounds—about 18 percent above last year's low level. Acreage for harvest and average yield are both estimated higher than last year. With larger crops and carryovers a little smaller, total 1975/76 supplies are estimated about the same as last year's 52 million pounds. Supplies equal 3 times the past season's use. Mid-1975 loan holdings of about ½ million pounds were only a fraction of year-earlier levels.

CIGAR TOBACCO

Cigar leaf tobaccos (types 41-62) are classified according to usage in cigar manufacture—filler, binder, and wrapper. However, loose leaf chewing tobacco takes most of the cigar binder. Exports are important for cigar wrapper; other kinds have negligible exports.

U.S. and Puerto Rican cigar leaf output picked up last year, due to better yields. Prices to growers have increased but output may still decline this season. Imports of filler leaf and scrap remain large. The Philippines and countries in Central and South America are the chief foreign suppliers. About 160 million pounds of leaf are used annually for cigars and loose leaf chewing tobacco with imports predominating for cigars.

Filler Disappearance Again Dropping

For the first 9 months of the 1974/75 marketing year, total disappearance of U.S. cigar filler tobacco (types 41-46) was 27 million pounds, down 7 million from the year-earlier level. All types shared in the decline. In the same period, production of loose leaf chewing tobacco gained but cigar production declined.

So for the 1974/75 year, filler disappearance may fall one-sixth below the 38 million pounds of a year earlier (table 20).

Table 18—Fire-cured tobacco, Kentucky-Tennessee types 22-23, and Virginia fire-cured type 21: Acreage yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-75

(Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks, October 1—			Total supply
				Manufactures and other	Under loan	Total	
	<i>Thousand acres</i>	<i>Pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
Kentucky-Tennessee fire-cured, types 22-23							
1967 ¹	17.3	1,702	29.5	64.0	27.3	91.3	120.8
1968	17.9	1,822	32.6	57.3	21.5	78.8	111.4
1969	19.0	1,797	34.1	61.1	11.6	72.7	106.8
1970	17.7	1,749	30.9	54.1	9.7	63.8	94.7
1971	19.5	1,928	37.6	48.6	4.7	53.3	90.9
1972	20.4	1,844	37.6	55.0	1.2	56.2	93.8
1973	16.6	1,668	27.7	54.2	3.1	57.3	85.0
1974	16.2	1,602	26.0	44.0	1.1	45.1	71.1
1975 ¹	18.2	1,807	32.9			*40.0	*72.9
Virginia fire-cured, type 21							
1967	5.4	1,290	7.0	12.1	2.7	14.8	21.8
1968	4.9	1,205	5.9	8.9	2.8	11.7	17.6
1969	5.0	1,340	6.7	8.0	1.9	9.9	16.6
1970	5.0	1,230	6.2	8.4	1.4	9.8	16.0
1971	5.0	1,180	5.9	8.0	1.0	9.0	14.9
1972	4.8	970	4.7	7.9	.4	8.3	13.0
1973	4.7	1,205	5.7	7.6	(³)	7.6	13.3
1974	5.0	1,185	5.9	7.1	---	7.1	13.0
1975 ¹	5.0	1,150	5.8			*8.4	*14.2
Disappearance				Average price per pound	Price support level	Place under Government loan	
Total	Domestic	Exports	Quantity			Percentage of crop	
<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Cents</i>	<i>Cents</i>	<i>Million pounds</i>	<i>Percent</i>	
Kentucky-Tennessee fire-cured, types 22-23							
1967	42.0	14.9	27.1	46.2	41.9	.8	2.7
1968	38.7	² 19.1	19.6	51.1	43.1	.4	1.2
1969	43.0	18.5	24.5	48.1	44.6	1.9	5.6
1970	41.4	13.1	28.3	54.4	46.6	(³)	.1
1971	34.7	16.0	18.7	60.8	48.5	(³)	.1
1972	36.5	14.2	22.3	57.3	50.8	2.8	7.4
1973	39.9	15.7	24.2	71.7	53.5	.2	.7
1974	*31.1	*13.9	*17.2	93.4	58.2	.7	2.7
1975					65.2		
Virginia fire-cured, type 21							
1967	10.1	3.4	6.7	40.9	41.9	.7	10.1
1968	7.7	3.0	4.7	46.9	43.1	.2	3.4
1969	6.8	1.7	5.1	53.1	44.6	.1	1.5
1970	7.0	2.4	4.6	52.0	46.6	.1	2.0
1971	6.6	3.1	3.5	54.8	48.5	.1	1.0
1972	5.4	1.3	4.1	64.2	50.8	(³)	.1
1973	6.2	1.7	4.5	75.5	53.5	(³)	---
1974	*4.8	*0.5	*4.3	81.7	58.2	.3	4.5
1975					65.2		

¹ Based on September 1 crop prospects and estimated stocks. ² Includes 4.7 million pounds fire loss, April 1969. ³ Less than 50,000 pounds. *Estimated.

Table 19—Dark air-cured tobacco, types 35-36, and Sun-cured tobacco type 37: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-75 (Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks			Total supply
				Manufacturers and others	Under loan	Total	
	<i>Thousand acres</i>	<i>Pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
Dark air-cured, types 35-36							
1967	9.5	1,629	15.5	39.2	21.3	60.5	76.0
1968	9.8	1,831	18.0	41.1	17.1	58.2	76.2
1969	10.1	1,793	18.1	44.1	15.0	59.1	77.2
1970	8.2	1,863	15.4	35.5	18.2	53.7	69.1
1971	8.6	1,834	15.7	35.5	14.3	49.8	65.5
1972	8.2	1,875	15.5	33.5	12.7	46.2	61.7
1973	7.6	1,647	12.4	31.9	12.8	44.7	57.1
1974	7.0	1,653	11.6	31.4	5.5	36.9	48.5
1975 ¹	7.7	1,800	13.9			*33.8	*47.7
Sun-cured, type 37							
1967	1.2	1,090	1.3	4.2	0	4.2	5.5
1968	1.1	1,095	1.2	3.9	0	3.9	5.1
1969	1.1	1,225	1.3	3.8	0	3.8	5.1
1970	1.0	1,100	1.1	3.3	0	3.3	4.4
1971 .....	.9	1,200	1.1	3.1	0	3.1	4.2
1972 .....	.8	1,010	.8	3.0	0	3.0	3.8
1973 .....	.7	1,320	.9	3.2	0	3.2	4.1
1974 .....	.7	1,315	.9	3.0	0	3.0	3.9
1975 ¹ .....	.8	1,100	.8			*2.2	*3.0
Disappearance				Average price per pound	Price support level	Placed under Government loan	
Total	Domestic	Exports	Quantity			Percentage of crop	
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Cents</i>	<i>Cents</i>	<i>Million pounds</i>	<i>Percent</i>
Dark air-cured, types 35-36							
1967	17.8	14.8	3.0	40.8	37.3	1.4	9.0
1968	17.1	15.0	2.1	47.4	38.3	.7	3.9
1969	23.5	21.2	2.3	40.3	39.7	4.8	26.5
1970	19.3	16.7	2.6	46.0	41.4	1.0	6.8
1971	19.3	17.4	1.9	47.1	43.1	1.7	10.7
1972	17.0	14.7	2.3	50.3	45.2	1.2	.8
1973	20.2	17.4	2.8	61.9	47.6	(³)	.2
1974	*14.7	*11.6	*3.1	76.9	51.8	.3	2.6
Sun-cured, type 37							
1967	1.6	1.2	.4	45.2	37.3	⁴ 25	1.9
1968	1.3	1.1	.2	53.2	38.3	⁴ 1	.1
1969	1.8	1.5	.3	52.8	39.7	⁴ 1	.1
1970	1.3	1.1	.2	53.8	41.4	⁴ 3	.3
1971	1.2	1.0	.2	54.1	43.1	0	---
1972 .....	.6	.4	.2	57.9	45.2	0	---
1973	1.1	.9	.2	69.2	47.6	0	---
1974	*1.7	*1.5	*.2	82.1	51.8	⁴ 2	2.1
1975					58.0		

¹Based on September 1 crop prospects and estimated stocks. ²Quantity placed under Government loan reported in thousand pounds. *Estimated.

Imports Supplementing Lower U.S. Supplies

During October 1974-June 1975, U.S. manufacturers used 96 million pounds of foreign cigar tobacco (imports for consumption) or one-fifth below a year earlier. With the continuing drop in domestic supplies, manufacturers may draw more heavily on foreign leaf. Foreign-grown cigar leaf stocks in the United States on July 1 totaled 134 million pounds, up 10 million from a year earlier.

Cigar Binder Disappearance Picks Up

Cigar binder disappearance for October 1974-June 1975 was 11 million pounds, down 1 million from a year earlier. For Wisconsin tobacco, loose leaf chewing tobacco remains the major outlet, and that production has gained in the past 7 years.

Despite the production gains for the more expensive cigars, disappearance of Connecticut Valley binder tobacco for 1974/75 is estimated below the previous season and last year's output. Carryover on October 1, 1975, is expected to total about 6.5 million pounds.

Disappearance of Wisconsin tobacco for 1974/75 may fall 2 million pounds from 1973/74. This would equal last season's production, leaving stocks around the 36 million on October 1, 1975.

Cigar Wrapper Disappearance Down

Disappearance of shade-grown wrapper (types 61-62) in the year ended June 30 was 10 million pounds, about 2 million below a year earlier. Exports were up, but domestic use fell to a new low. Production is dropping in both the Georgia-Florida and in the Connecticut Valley. Large labor requirements and rising costs hamper U.S. wrapper growers. However, this season Connecticut Valley growers were able to use local labor without migrant help for the first time in many years.

U.S. and Puerto Rican Supplies Decline

Supplies of U.S. and Puerto Rican cigar tobacco will decline from 1974/75, continuing the postwar trend. Prospective production is down a tenth and October 1, 1975 carryover is up slightly. For each category—cigar filler, binder, and wrapper—supplies are lower. By August 31, unsold loan stocks remained near last year's low level.

Filler. As of September 1, the Pennsylvania filler crop was indicated at 21 million pounds, 18 percent below 1974's. The new crop plus the in-

creased carryover will provide a supply slightly below last season's.

Despite the reassignment of some allotments, Ohio filler acreage is estimated about 10 percent below the record low of last year. As of September 1, the crop was placed at 3.1 million pounds, slightly below last year. The crop plus the lower carryover will provide a total supply for 1975/76 about 0.3 million pounds below last year.

Carrover of Puerto Rican filler on October 1 is estimated about unchanged from a year earlier. For 1975/76, the Puerto Rican government has announced a quota of 22½ million pounds—several times the harvest early this year. Production has been considerably below the announced quota for the past several seasons even though the Commonwealth paid a subsidy of 20 cents per pound. Supply for 1975/76 may hold near the 14 million pounds of the past season.

Binder. Cigar binder acreage in the Connecticut Valley is estimated about the same as last year. Quotas were lifted again this year. Indicated yields are about the same, so as of September 1, production was estimated at 2¼ million pounds, slightly below last year. With a little smaller carryover, supplies may decline slightly.

Acreage of Wisconsin binder tobacco is estimated slightly above last year. Some growers again released their acreage allotments for use by growers who wished to increase their production. With larger yields than last year, Wisconsin production was indicated at 19 million pounds, up slightly. Carryover is estimated about the same as a year ago, so with the same production total, supply will remain the same in 1975/76.

Wrapper. The indicated acreage of Connecticut Valley wrapper is below 1974. With the lower yield, production may decline 1 million pounds from last year's level. Carryover on July 1 was up from 1974. The supply of Connecticut Valley wrapper is the same as last year's which was the lowest since 1945.

Indicated acreage of Georgia-Florida wrapper is at the lowest level since 1933, mainly because of low returns in recent years. As of September 1, production was an indicated 1.4 million pounds below last year. Carryover in July was down 0.3 of a million from a year earlier. Supply is down 1.7 million pounds below 1974/75 and the lowest since 1949. The International Trade Commission held hearings in August on a petition of Georgia-Florida wrapper growers for relief from alleged import injury.

Table 20—Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-75

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks ¹	Total supply	Total	Domestic	Exports	
	Thousand acres	Pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Pennsylvania Seedleaf Filler (type 41)									
1967	21.0	1,825	38.3	112.3	150.6	41.9	41.3	0.6	28.0
1968	21.0	1,775	37.3	108.7	146.0	40.9	40.0	.9	30.0
1969	20.0	1,825	36.5	105.1	127.9	44.3	43.7	.6	30.0
1970	17.0	1,800	30.6	97.3	129.3	40.9	40.7	.2	31.0
1971	15.2	1,610	24.5	87.0	111.5	41.3	40.6	.3	36.0
1972	13.0	1,400	18.2	70.2	88.4	34.7	34.4	.3	46.0
1973	13.0	1,700	22.1	53.7	73.5	28.3	27.5	.8	52.0
1974 ³	13.0	2,000	26.0	47.5	72.6	² 22.1	² 21.9	² .2	58.0
1975 ³	12.5	1,700	21.2	51.4					
Ohio, Miami, Valley Filler (types 42-44)									
1967	2.3	1,580	3.6	15.5	19.1	6.2	6.2	---	29.0
1968	2.0	1,670	3.4	12.9	16.3	5.4	5.4	---	31.0
1969	1.7	1,650	2.8	10.9	13.7	4.7	4.7	---	32.5
1970	1.6	1,750	2.9	9.0	11.9	4.1	4.1	---	38.0
1971	2.0	1,850	3.8	7.8	11.6	4.6	4.6	---	41.0
1972	2.4	1,780	4.2	7.0	11.2	4.4	4.4	---	44.0
1973	2.2	1,420	3.1	6.8	9.9	² 4.0	² 4.0	---	51.0
1974 ³	2.0	1,650	3.3	5.9	9.2	² 3.3	² 3.3	---	59.0
1975 ³	1.8	1,700	3.1	5.9	9.0				
Puerto Rico Filler (type 46) ⁴									
1967	7.6	1,419	10.8	40.5	51.3	16.9	16.9	---	⁵ 33.1
1968	6.0	1,282	7.6	34.4	42.0	16.2	16.2	---	⁵ 33.3
1969	4.7	1,303	6.1	25.8	31.9	12.6	12.6	---	⁵ 33.6
1970	3.2	1,397	4.5	19.3	23.8	8.8	8.8	---	⁵ 36.1
1971	4.8	1,418	6.7	15.0	21.7	9.0	9.0	---	⁵ 39.8
1972	5.6	883	4.8	12.7	17.5	8.3	8.3	---	⁵ 42.1
1973	4.5	1,435	6.5	9.2	15.7	² 5.7	² 5.7	---	41.2
1974 ³	2.8	1,340	4.0	10.0	14.0	² 4.7	² 4.7	---	45.5
1975 ³	3.0	1,340	3.1	9.3	13.3				
Total Cigar Filler (types 41-46)									
1967	30.9	1,707	52.7	168.3	221.0	65.0	64.4	.6	29.1
1968	29.0	1,666	48.3	156.0	204.3	62.5	61.6	.9	30.5
1969	26.4	1,721	45.4	141.8	187.2	61.6	61.0	.6	30.6
1970	21.8	1,737	38.0	125.6	163.6	53.8	53.6	.2	32.1
1971	22.0	1,587	35.0	109.8	144.8	54.9	54.5	.4	37.3
1972	21.0	1,293	27.2	89.9	117.1	47.4	47.1	.3	45.0
1973	19.7	1,450	31.7	69.7	101.4	38.0	37.2	.8	49.7
1974 ³	18.0	1,850	33.3	63.4	96.7	² 30.1	² 29.9	² .2	57.1
1975 ³	17.3	1,630	28.3	66.6	94.9				
Connecticut Valley Binder (types 51-52)									
1967	1.5	1,819	2.7	16.4	19.1	7.9	5.7	2.2	54.5
1968	1.6	1,808	2.8	11.2	14.0	5.1	4.7	.4	59.5
1969	1.6	1,434	2.3	8.9	11.2	4.2	3.9	.3	58.2
1970	1.7	1,756	2.9	7.0	9.9	2.7	2.4	.3	65.5
1971	1.6	1,743	2.8	7.2	10.0	2.6	2.5	.1	70.1
1972	1.6	1,600	2.5	7.4	9.9	2.4	2.3	.1	72.8
1973	1.6	1,721	2.7	7.5	10.2	3.2	3.1	.1	72.8
1974	1.5	1,737	2.5	7.0	9.5	² 3.0	² 2.8	² .2	82.0
1975 ³	1.5	1,571	2.3	6.5	8.8				
Southern Wisconsin Binder (type 54)									
1967	3.8	1,905	7.2	20.7	27.9	8.0	8.0	---	34.4
1968	3.7	1,990	7.4	19.9	27.3	7.7	7.7	---	36.8
1969	3.7	1,740	6.4	19.6	26.0	9.3	9.3	---	36.8
1970	4.4	2,135	9.4	16.7	26.1	7.3	7.3	---	40.2
1971	5.3	2,270	12.0	18.8	30.8	10.5	10.5	---	50.3
1972	5.0	1,685	8.4	20.3	28.7	9.3	8.3	---	48.0
1973	4.9	1,950	9.6	19.4	29.0	10.1	10.1	---	60.5
1974	4.7	2,060	9.7	18.9	28.6	² 8.2	² 8.2	---	74.9
1975 ³	5.0	2,000	10.0	20.4	30.4				
Northern Wisconsin Binder (type 55)									
1967	4.5	1,975	8.9	29.3	38.2	9.3	8.9	.4	34.1
1968	4.0	1,670	6.7	28.9	35.6	14.9	14.5	.4	37.9
1969	3.7	1,815	6.7	20.7	27.4	8.8	8.5	.3	43.4
1970	4.4	2,055	9.0	18.6	27.6	9.2	9.1	.1	52.0
1971	5.3	1,980	10.5	18.4	28.9	9.9	9.9	*	54.0
1972	5.8	1,770	10.3	19.0	29.3	9.8	9.8	*	49.0
1973	5.3	1,775	9.4	19.5	28.9	12.0	12.0	*	60.7
1974	4.7	1,870	8.8	16.9	25.7	² 10.3	² 10.3	*	75.4
1975 ³	5.0	1,800	9.0	15.4	24.4				

See footnote at end of table

Table 20—Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-75—Cont.

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks ¹	Total supply	Total	Domestic	Exports	
	Thousand acres	Pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Total Wisconsin Binder (types 54-55)									
1967	8.3	1,943	16.1	50.0	66.1	17.3	16.9	0.4	34.2
1968	7.7	1,824	14.1	48.8	62.9	22.6	22.2	.4	37.3
1969	7.4	1,778	13.1	40.3	53.4	18.1	17.8	.3	41.8
1970	8.8	1,095	18.4	35.3	53.7	16.5	16.4	.1	51.1
1971	10.6	2,125	22.5	37.2	59.7	20.4	20.4	*	54.9
1972	10.8	1,731	18.7	39.3	58.0	19.1	19.1	*	48.5
1973	10.2	1,859	19.0	38.9	57.9	22.2	22.2	*	60.6
1974	9.4	1,875	18.5	35.8	54.3	² 18.5	² 18.5	² *	75.1
1975 ³	10.0	1,900	19.0	35.8	54.8				
Total Cigar Binder (types 51-55)									
1967	9.8	1,924	18.8	66.4	85.2	25.2	22.6	2.6	37.1
1968	9.3	1,821	16.9	60.0	76.9	27.7	26.9	.8	41.0
1969	9.0	1,716	15.4	49.2	64.6	22.3	21.7	.6	44.3
1970	10.5	2,041	21.3	42.3	63.6	19.2	18.8	.4	53.1
1971	12.2	2,075	25.3	44.4	69.7	23.0	22.9	.1	56.1
1972	12.4	1,714	21.2	46.7	67.9	21.5	21.4	.1	51.1
1973	11.8	1,841	21.7	46.4	68.1	25.4	25.3	.1	62.1
1974	10.9	1,934	21.0	42.8	63.8	² 21.5	² 21.3	² .2	76.0
1975 ³	11.4	1,858	21.3	42.3	63.6				
Connecticut Valley Shade-grown (type 61)									
1967	8.5	1,124	9.6	16.0	25.6	12.9	9.6	3.3	360.0
1968	8.4	1,215	10.2	12.7	22.9	10.8	9.1	1.7	280.0
1969	6.3	1,288	8.1	12.1	20.2	8.0	7.0	1.0	400.0
1970	6.0	1,535	9.3	12.2	21.5	7.6	6.6	1.0	400.0
1971	4.7	1,635	7.7	13.9	21.6	8.4	5.7	2.7	400.0
1972	4.1	1,250	5.1	13.2	18.5	7.6	4.8	2.8	485.0
1973	5.0	1,210	6.1	10.7	16.8	8.3	6.4	1.9	515.0
1974	4.8	1,625	7.8	8.5	16.3	² 6.8	² 2.8	² 3.9	600.0
1975 ³	4.5	1,450	6.5	9.5	16.0				
Georgia-Florida Shade-grown (type 62)									
1967	5.1	1,573	8.0	8.7	16.7	7.9	6.3	1.6	245.0
1968	5.0	1,556	7.9	8.8	16.7	9.2	7.1	2.1	270.0
1969	5.0	1,569	7.8	7.5	15.3	6.1	5.2	.9	280.0
1970	3.6	1,590	5.6	9.2	14.8	6.7	5.8	.9	270.0
1971	3.0	1,582	4.7	8.1	12.8	6.2	5.4	.8	262.0
1972	3.0	1,517	4.6	6.6	11.2	4.2	3.8	.4	280.0
1973	2.6	1,413	3.7	7.0	10.7	4.2	3.7	.5	350.0
1974	1.9	1,724	3.2	6.5	9.7	² 3.6	² 3.1	² .5	380.0
1975 ³	1.1	1,618	1.8	6.2	8.0				
Total Shade-grown (types 61-62)									
1967	13.6	1,292	17.6	24.7	42.3	20.8	15.9	4.9	308.0
1968	13.4	1,343	18.1	21.5	39.6	20.0	16.2	3.8	276.0
1969	11.3	1,411	15.9	19.6	35.5	14.1	12.2	1.9	341.3
1970	9.6	1,555	14.9	21.4	36.3	14.3	12.4	1.9	351.0
1971	7.7	1,614	12.4	22.0	34.4	14.6	11.1	3.5	347.5
1972	7.1	1,365	9.7	19.8	29.5	11.8	8.6	3.2	387.0
1973	7.6	1,280	9.8	17.7	27.5	12.5	10.1	2.4	452.2
1974	6.8	1,652	16.0	15.0	26.0	² 10.4	² 6.0	² 4.4	536.1
1975 ³	5.6	1,434	8.3	15.7	24.0				
Grand Total Cigar Tobacco (types 41-62)									
1967	54.3	1,642	89.1	259.4	348.5	111.0	102.9	8.1	85.7
1968	51.7	1,610	83.3	237.5	320.8	110.2	104.7	5.5	85.9
1969	46.7	1,645	76.7	210.6	287.3	98.0	94.9	3.1	97.7
1970	41.9	1,771	74.2	189.3	263.4	87.3	84.8	2.5	102.3
1971	41.9	1,734	72.7	176.2	248.9	92.5	88.5	4.0	96.7
1972	40.4	1,434	58.1	156.4	214.5	80.7	77.1	3.6	104.4
1973	39.1	1,627	63.2	133.8	197.0	75.9	72.6	3.3	116.1
1974	35.6	1,834	65.3	121.2	186.5	² 62.0	² 57.2	² 4.8	142.5
1975 ³	34.3	1,688	57.9	124.6	182.5				

¹ October 1 for types 41-55; July 1 for types 61-62. ² Estimated. ³ Based on September 1 crop prospects and estimated stocks. ⁴ Puerto Rican planting occurs late in calendar year; projected for 1975. ⁵ Excludes payment by Puerto Rican Government; 20 cents per pound in 1974.

Cigar leaf tobacco price support operations, 1971-75

(Farm-sales weight)

Type	Placed under Government loan, crop years—				Remaining under loan, end of August				
	1971	1972	1973	1974	1971	1972	1973	1974	1975
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Ohio, 42-44	0	0	0	(¹)	0	0	0	0	(¹)
Puerto Rican, 46	4.7	3.4	3.0	0	2.8	0	0	5.3	1.4
Conn. Valley, 51-51 .....	.9	.6	.3	0.3	2.4	2.1	2.3	2.2	.9
Southern Wis., 54	(¹)	(¹)	0	0	0	(¹)	(¹)	0	0
Nothern Wis., 55	0	.2	0	0	0	0	.1	0	0
Total	5.6	4.2	3.3	0.3	5.2	2.1	2.4	7.5	2.3

¹ Negligible.

Foreign-grown cigar leaf tobacco: U.S. imports and stocks, 1971-75

(Farm-sales weight)

Country of origin	Imports for consumption ¹					Dealers and manufacturers stocks, July 1—				
	October-September 1973-74	October-June				1971	1972	1973	1974	1975
		1971-72	1972-73	1973-74	1974-75					
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	
Philippine	65.9	21.5	15.9	38.4	12.8	38.7	33.9	31.1	40.9	39.7
Dominican Republic ..	12.1	8.7	11.2	11.0	11.7	13.5	12.0	18.7	22.0	24.0
Brazil	12.5	3.1	13.7	9.3	12.4	9.4	8.0	10.5	8.9	8.3
Colombia	6.1	8.9	9.7	5.3	5.9	10.4	11.1	13.2	9.7	12.5
Paraguay	4.6	3.5	6.4	4.1	5.4	7.3	4.1	6.7	8.3	10.8
Mexico	24.1	5.7	4.6	15.2	11.7	5.3	6.0	4.9	3.0	4.8
Indonesia	7.1	1.8	4.8	7.3	8.2	4.7	4.3	9.0	10.6	10.9
All others	5.5	7.3	22.6	29.8	27.8	13.1	14.4	20.1	20.6	23.2
Total	137.9	60.5	88.9	120.4	95.9	102.4	93.8	114.2	124.1	134.2

¹ Includes scrap tobacco from some countries that may be used in cigarette manufacture.

FOREIGN PRODUCTION AND SALES

World production of cigarettes gained about 4 percent last year as population and incomes rose. Since 1965 world tobacco trade has shifted due to the U.N. sanction against Rhodesia. To fill the gap left by Rhodesia, many foreign suppliers are increasing tobacco production and actively competing for larger market shares. The largest tobacco importing market is the 9-member European Community. The United States faces special competition since Commonwealth countries still retain some preferential duties on their U.K. shipments. And certain associated countries enjoy preferential or duty-free access to the European Community on tobacco shipments.

Flue-cured Production May Gain

Harvest of foreign flue-cured tobacco in 1975 may increase some from the 3.6 billion pounds in 1974. Among foreign countries, Brazil, Thailand,

and South Korea may record gains. The People's Republic of China (PRC) may have harvested a larger quantity, but none is expected to be available for export. India's crop may be reduced about one-fourth with fertilizer shortages and inadequate rainfall.

The 1975 Rhodesian crop suffered from rains and is estimated below last season's 165 million pound output. With the large stockpile from earlier years virtually gone, no quota applies for 1975. In Canada, with reduced quotas in Ontario, the flue-cured crop this year may be down one-tenth from last season's 258 million pounds.

EC Takes More From Outside the U.S.

The United Kingdom takes about one-fifth of U.S. exports of unmanufactured tobacco. Cigarette manufacturing has been affected for many years by extremely high revenue duties on tobacco. The

filter-tip proportion reached 84 percent of output in 1974. As a result, U.K. tobacco use has been about static for several years, even though cigarette sales still gain. U.K. tobacco manufacturers export about one-sixth of their output. In the first 6 months of 1975, exports rose 22 percent above a year earlier (table 21).

U.K. manufacturers' use (gross clearance from bond) remained about steady in the first quarter of 1975 but declined sharply in the second quarter following a sharp jump in excise duties. The U.S. share declined further to 33 percent in the first half. U.S. stocks represented 1.2 year's supply, about the same as a year earlier. With supplies from many other sources increasing, U.S. stocks

may not stabilize in 1975/76. Cigarette manufacturers are further shifting to mini-cigarettes as a result of duty and excise tax increases. In addition, the British Health Ministry indicates existing voluntary tobacco-health measures may be replaced with stiffer, voluntary restrictions.

West Germany, the second largest market for U.S. tobacco, took 47 million pounds of unmanufactured tobacco in January-June 1975, about 2 million less than a year earlier. Imports of tobacco from Mexico, Italy, and People's Republic of China gained. Importers of tobacco from Italy benefit from the CAP's recently raised buyer premium. Consequently, imports from Greece and Turkey (dropped) sharply.

Table 21—United Kingdom tobacco: Imports, stocks, clearances, and exports, 1972-75

Item	July-June			Item	July-June		
	1972-1973	1973-1974	1974-1975		1972-1973	1973-1974	1974-1975
	Million pounds	Million pounds	Million pounds		Million pounds	Million pounds	Million pounds
Imports, by source:				Gross clearances:			
United States	111	122	101	Full duty rate	152	152	150
Commonwealth	128	147	161	Commonwealth rate	160	166	165
Other	49	78	96	Total	312	318	315
Total	288	347	358	Flue-cured:			
Exports:				United States	114	107	95
Manufactured products	62	67	67	Canada	62	63	(²)
Unmanufactured	9	11	5	India	44	44	(²)
Stocks, June 30:				Zambia and Malawi	17	20	(²)
Flue-cured	279	348	390	Rhodesia	---	---	---
Other	60	24	26	Other	35	33	(²)
Total	339	372	416	Total	272	267	270
				Net clearances:	236	245	233

¹Estimated. ²Not available.

Compiled from official United Kingdom sources.

Table 22—Tobacco: EC imports, by major suppliers, 1955-74

Year	United States	Latin America	Other EC and Associates		India, Canada, Rhodesia, Zambia, Malawi	Other	Total	U.S. share of total
			Greece and Turkey	Other EC ¹ and associated areas				
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent
Average								
1955-59	119	53	90	41	27	57	387	30.7
1960-64	140	89	86	55	61	109	540	25.9
1965	159	120	84	49	73	126	611	26.0
1966	172	113	101	53	55	132	626	27.5
1967	190	110	99	60	27	178	664	28.6
1968	145	95	97	65	21	170	593	24.5
1969	178	98	100	66	20	193	655	27.2
1970	142	112	104	72	15	195	640	22.2
1971	178	126	126	81	19	213	743	24.0
1972	179	134	114	103	22	210	762	23.5
1973	171	125	117	152	22	190	777	22.0
1973 ²	342	150	120	168	161	272	1,196	28.6
1974 ³	300	179	114	194	190	371	1,321	22.7

¹EC and associated areas includes countries in the Yaounde and Arusha agreements. ²Belgium, Luxembourg, France, Italy, Netherlands, and West Germany. ³EC (6) plus Denmark, Ireland, and United Kingdom.

TOBACCO USED IN CIGARETTES

1974/75 Developments

U.S. cigarette manufacturers used an estimated 1,211 million pounds of tobacco (unstemmed processing weight) in cigarettes in 1974. This was about 2 percent below the year before, as cigarette output decreased. Use of tobacco decreased while imported tobaccos increased (table 23). This year, with cigarette output again gaining, manufacturers are expected to use more tobacco.

Manufacturers used an estimated 1.91 pounds of tobacco (unstemmed weight) per 1,000 cigarettes produced in 1974, about the same as a year earlier. Flue-cured tobacco accounts for almost half the tobacco used in cigarettes, with burley, Maryland, and imported tobaccos accounting for the rest. Last year the burley proportion remained about the same; flue-cured declined while imports increased.

In connection with periodic "tar" and nicotine analysis, the Federal Trade Commission also reports the average weight of cigarettes sampled. Considering the 27 varieties (i.e., brands and brand variations) of cigarettes that account for about four-fifths of U.S. sales, the average weight per

cigarette (including paper and filter) remained about the same between September 1974 and March 1975, the latest date FTC has reported.

Guidelines on the testing of synthetic tobacco substitutes using animals and smokers were reported by a scientific committee in the United Kingdom in July. The U.K. report stressed that only when a tobacco substitute has been smoked over a long period by heavy smokers will it be possible to make a full assessment of the relative hazards of a product containing tobacco. A number of U.K. companies are testing cigarettes containing cellulose-based tobacco substitutes and, pending successful satisfaction of the guidelines, such cigarettes may be sold in test markets sometime in 1976.

Under the new U.K. guidelines, cigarette companies will have to also test cigarette additives for health consequences. Since 1970, Customs and Excise permission has been required before cigarettes containing flavorings can be sold in the United Kingdom, but no applications have been made.

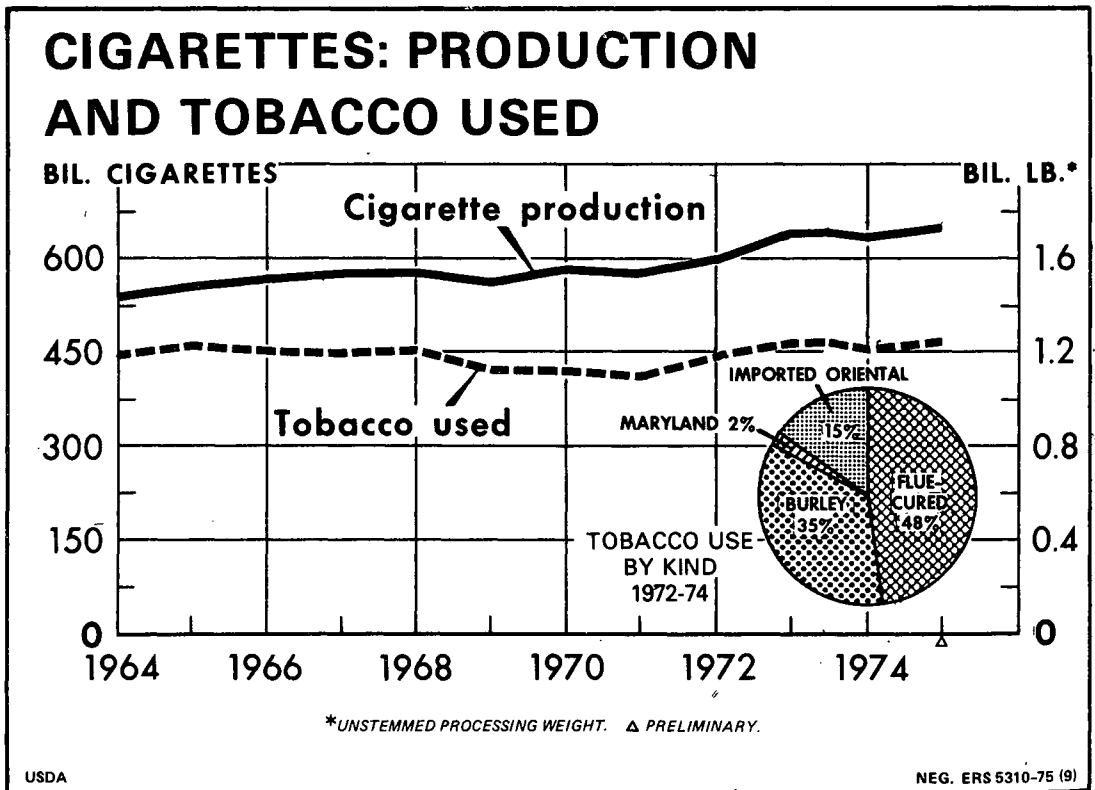


Table 23--Estimated Leaf used for cigarettes by kinds of tobacco, 1950-74

Year	Farm-sales weight				Unstemmed-processing weight				
	Flue-cured	Burley	Maryland	Total domestic	Flue-cured	Burley	Maryland	Imported	Total
<u>Million pounds</u>									
Average:									
1950-54	736	421	23	1,180	651	373	22	73	1,119
1955-59	701	417	20	1,138	622	371	19	92	1,104
1960	731	437	16	1,184	651	389	16	116	1,172
1961	758	453	16	1,227	674	403	16	125	1,218
1962	745	462	16	1,223	663	411	16	126	1,216
1963	752	467	16	1,235	670	416	16	127	1,229
1964	725	455	15	1,195	645	405	15	121	1,186
1965	723	485	17	1,225	643	433	17	132	1,225
1966	686	487	19	1,192	613	435	19	135	1,202
1967	658	483	19	1,160	587	432	19	154	1,192
1968	652	482	18	1,152	582	430	18	171	1,201
1969	612	447	31	1,090	546	399	31	157	1,133
1970	613	448	27	1,088	548	400	27	163	1,138
1971	596	432	24	1,052	532	386	24	165	1,107
1972	621	460	16	1,097	555	411	16	193	1,175
1973	659	485	14	1,158	588	433	14	196	1,231
1974	633	472	13	1,118	565	422	13	211	1,211
<u>Per 1,000 cigarettes</u>									
<u>Pounds</u>									
Average:									
1950-54	1.776	1.016	.057	2.849	1.571	.899	.053	.177	2.700
1955-59	1.570	.936	.045	2.551	1.394	.832	.042	.205	2.473
1960	1.442	.862	.032	2.336	1.284	.767	.032	.229	2.312
1961	1.435	.857	.030	2.322	1.276	.763	.030	.237	2.306
1962	1.391	.863	.030	2.284	1.238	.768	.030	.235	2.271
1963	1.366	.848	.029	2.243	1.217	.756	.029	.231	2.232
1964	1.343	.842	.028	2.213	1.195	.750	.028	.224	2.197
1965	1.298	.871	.031	2.200	1.155	.778	.030	.237	2.200
1966	1.209	.858	.033	2.101	1.081	.767	.033	.238	2.119
1967	1.142	.838	.033	2.013	1.019	.750	.033	.267	2.069
1968	1.125	.832	.031	1.988	1.004	.742	.031	.295	2.072
1969	1.097	.802	.056	1.955	.979	.716	.055	.282	2.032
1970	1.051	.768	.046	1.865	.940	.686	.046	.279	1.951
1971	1.034	.749	.042	1.825	.923	.669	.042	.286	1.920
1972	1.037	.768	.027	1.832	.926	.686	.027	.322	1.961
1973	1.023	.752	.022	1.797	.913	.672	.022	.304	1.911
1974	.998	.743	.020	1.761	.890	.665	.020	.332	1.907
<u>Percentage distribution</u>									
<u>Percent</u>									
Average:									
1950-54	62.4	35.6	2.0	100.0	58.2	33.2	2.0	6.6	100.0
1955-59	61.6	36.7	1.7	100.0	56.3	33.6	1.8	8.3	100.0
1960	61.7	36.9	1.4	100.0	55.5	33.2	1.4	9.9	100.0
1961	61.8	36.9	1.3	100.0	55.3	33.1	1.3	10.3	100.0
1962	60.9	37.8	1.3	100.0	54.5	33.8	1.3	10.4	100.0
1963	60.9	37.8	1.3	100.0	54.5	33.9	1.3	10.3	100.0
1964	60.7	38.0	1.3	100.0	54.4	34.1	1.3	10.2	100.0
1965	59.0	39.6	1.4	100.0	52.5	35.3	1.4	10.8	100.0
1966	57.6	40.8	1.6	100.0	51.0	36.2	1.6	11.2	100.0
1967	56.8	41.6	1.6	100.0	49.3	36.0	1.6	12.9	100.0
1968	56.6	41.8	1.6	100.0	48.5	36.0	1.5	14.2	100.0
1969	56.2	41.0	2.8	100.0	48.2	35.2	2.7	13.9	100.0
1970	56.3	41.2	2.5	100.0	48.2	35.1	2.4	14.3	100.0
1971	56.7	41.0	2.3	100.0	48.1	34.8	2.2	14.9	100.0
1972	56.6	41.9	1.5	100.0	47.2	35.0	1.4	16.4	100.0
1973	56.9	41.8	1.2	100.0	47.8	35.2	1.1	15.9	100.0
1974	55.7	42.2	1.1	100.0	46.7	34.9	1.0	17.4	100.0

Table 24—Cash receipts from tobacco as percentage of cash receipts from crops and all farm commodities, by States, 1973 and 1974

State	1973			1974 ¹		
	Tobacco	Tobacco as:		Tobacco	Tobacco as:	
		Percentage of crops	Percentage of all farm commodities		Percentage of crops	Percentage of all farm commodities
	<i>Million dollars</i>	<i>Percent</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>	<i>Percent</i>
North Carolina	719	52.8	30.8	838	48.9	31.9
Kentucky	306	53.1	23.3	470	51.9	31.6
South Carolina	115	27.7	16.2	179	31.2	21.6
Virginia	122	30.6	13.4	147	28.4	15.2
Tennessee	89	17.7	7.8	123	22.5	12.2
Georgia	89	11.2	4.7	168	15.6	8.0
Florida	29	2.0	1.4	37	2.1	1.6
Maryland	20	10.3	3.5	29	11.2	4.6
Connecticut	21	27.7	10.2	28	31.7	13.0
Pennsylvania	8	2.3	.6	11	2.2	.7
Ohio	16	1.4	.7	21	1.3	.9
Indiana	11	.7	.4	18	.9	.6
Massachusetts	8	8.8	4.0	10	9.9	4.8
Wisconsin	9	2.3	.4	12	2.1	.5
Missouri	4	.3	.1	6	.4	.2
West Virginia	3	7.8	1.8	2	5.3	1.6
United States ²	1,570	3.8	1.8	2,146	4.1	2.3

¹ Subject to revision. ² U.S. total receipts from tobacco include relatively small receipts from a few States not shown separately.

Detail may not add to total due to rounding.

Table 25—Expenditures for tobacco products, and disposable personal income, 1965-74

Year	Total	Cigarettes	Cigars	Other ¹	Disposable personal income ²	Percent of disposable personal income			
						All products	Spent on tobacco products		
							Cigarettes	Cigar	Other ¹
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Billion dollars</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1965	8,651	7,609	734	308	473	1.83	1.61	.16	.06
1966	9,140	8,113	718	309	512	1.79	1.59	.14	.06
1967	9,582	8,572	706	304	546	1.76	1.57	.13	.06
1968	10,112	9,094	703	315	591	1.71	1.54	.12	.05
1969	10,444	9,404	701	339	634	1.65	1.49	.11	.05
1970	11,544	10,448	707	389	692	1.67	1.51	.10	.06
1971	12,155	11,040	700	415	746	1.63	1.48	.09	.06
1972 ³	12,910	11,765	720	425	802	1.61	1.47	.09	.05
1973 ³	13,485	12,325	730	430	904	1.49	1.36	.08	.05
1974 ⁴	14,450	13,270	705	475	980	1.47	1.35	.07	.05

¹ Smoking tobacco, chewing tobacco, and snuff. ² Compiled from reports of Department of Commerce, Bureau of Economic Analysis. ³ Subject to revision. ⁴ Estimated.

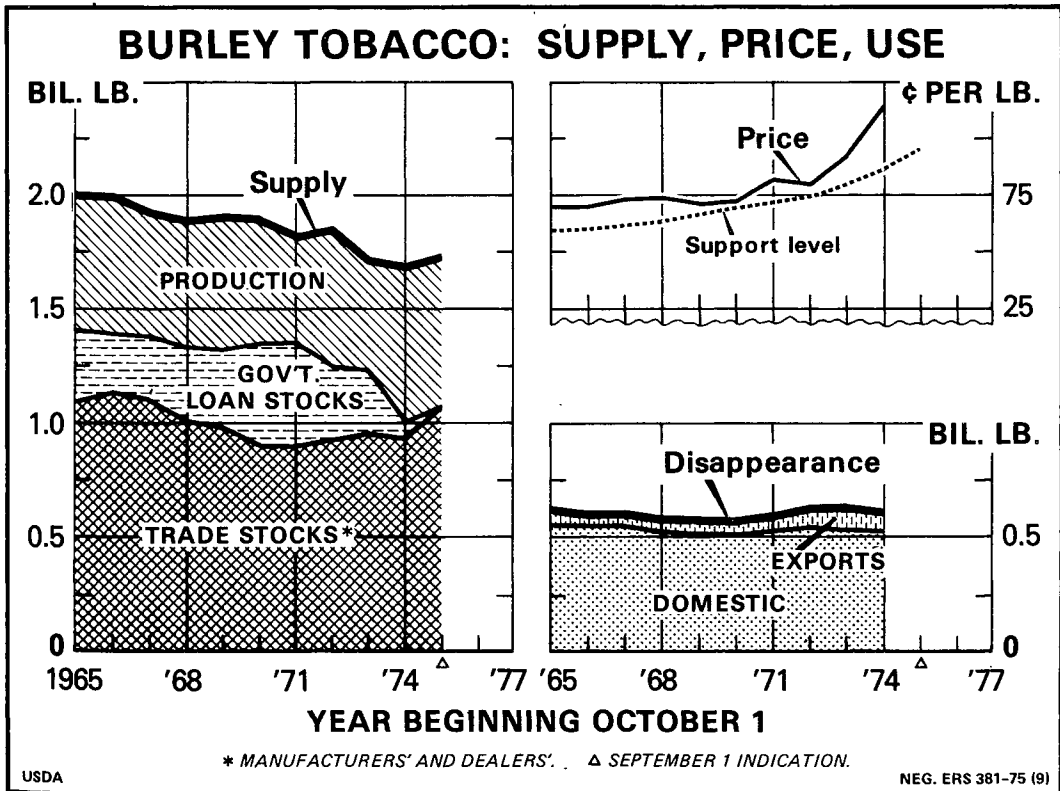
Table 26—Governmental revenues from tobacco products, 1965-75

Fiscal Year	Federal Government				State and local Governments		All governments
	Cigarettes ¹	Cigars ²	Manufactured tobacco ³	Total ⁴	State	Local ⁵	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	
1966-67	2,023	56	---	2,080	1,615	116	3,811
1967-68	2,066	55	---	2,122	1,886	100	4,108
1968-69	2,082	54	---	2,138	2,056	97	4,291
1969-70	2,036	57	---	2,094	2,308	129	4,531
1970-71	2,150	55	---	2,207	2,536	140	4,883
1971-72	2,151	54	---	2,207	2,831	168	5,206
1972-73	2,221	54	---	2,277	3,112	174	5,564
1973-74	2,383	52	---	2,437	3,208	185	5,830
1974-75 ⁵	2,220	50	---	2,270	3,250	180	5,700

¹Includes large cigarettes. ²Includes small cigars and revenue on cigars from Puerto Rico covered into the Treasury of Puerto Rico.

³Federal excise tax on chewing tobacco, smoking tobacco, and snuff repealed effective January 1, 1966. ⁴Includes cigarette paper and tubes, and imported cigarettes and cigars. ⁵Estimated.

Compiled from reports of the Internal Revenue Service and the Bureau of the Census.



FLUE-CURED TOBACCO PROCESSING COSTS, 1966/67 AND 1973/74

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ABSTRACT: Changes in the flue-cured tobacco industry have impacted on tobacco processing firms. Processors have adapted new technology in response to changes in the raw product and rising costs. Comparative processing costs for 1966/67 and 1973/74 show loose leaf cost per hundred pounds up 30 percent and strip costs up 17 percent. Wages and salaries, the major cost component, rose less sharply than the hourly wage rate.

KEYWORDS: Flue-cured tobacco, processing firms, variable costs, fixed costs, loose leaf, strip.

Over the last decade striking changes have occurred in the flue-cured tobacco industry. Important among these changes are: development of harvest mechanization, expanded untied leaf sales, and production of homogenized tobacco sheet from tobacco stems. These changes impact especially on flue-cured tobacco dealer-processor firms. These firms are primarily exporters and the export market is extremely important, accounting for more than 40 percent of total U.S. flue-cured disappearance in recent years. Expansion of untied leaf sales and harvest mechanization have led to a shift in processing technology. As recently as 1965 more than three-fourths of the flue-cured tobacco crop was tied in bundles for marketing. By 1968 tied leaf sales accounted for only about 1 percent of farmers' flue-cured tobacco marketings. Thus in the late 1960's flue-cured leaf processors were faced with a major shift in the form of their "raw product."

Tied leaf was typically redried and packed in bundle form or tipped threshed, redried, and packed as strip. Untied leaf was typically redried and packed as looseleaf or tipped, threshed, redried, and packed as strip. Different equipment was used for redrying bundles (tied leaf) and loose (untied leaf). Tobacco processors in the late 1960's found themselves with excess capacity for handling bundles and inadequate capacity for looseleaf. (1) Moreover, since 1972 increasingly significant quantities of mechanically harvested leaf has been marketed. This leaf is in yet another raw

product form—unoriented leaves. This contrasts with both the tied and untied conventionally harvested leaf where the butt ends of leaves are together. Such unoriented leaf is not practically amenable to the tipping operation.

The production of homogenized sheet from tobacco stems, which formerly had little or no commercial value, had a positive effect on processing firms. Although stems are still a low value product compared with the leaf lamina, it is now feasible to process and market them.

Table 1—Proportion of flue-cured tobacco processed in specified forms by dealer-processors, 1966-67 and 1973-74

Processed form	Redried weight basis	
	1966-67 ¹	1973-74 ²
	Percent	Percent
Bundle	37	2
Looseleaf	30	40
Strip	33	58

¹ Source: Wynn, N.A., et al; *Processing, Storage and Selected Storage Service Costs for Flue-Cured Tobacco in Commercial Facilities, 1966/67 and Estimated 1968*, ERS-411, U.S. Department of Agriculture, Economic Research Service, May 1969. ² Based on a sample of 8 firms.

The developments discussed above have resulted in substantial adjustments by flue-cured tobacco processing firms over the last decade. Cost rates rose sharply during this period and some firms adopted new technology to offset rising expenses

and to adjust to the changes in their raw product. A cost study, based on the accounting records of 15 dealer-processors, was made in 1967. Estimates were made of the variable and fixed costs of processing bundle, looseleaf, and strip in the 1966/67 season. These estimates were then updated to reflect 1968 cost rates (2). Because of changes that have occurred since 1966, eight dealer-processors were surveyed in 1974 to obtain information for the 1973/74 processing season.

Firms surveyed in 1974 processed a total of 175½ million pounds (green weight) of flue-cured tobacco in the 1973/74 season. Some of the firms also processed burley, Maryland, and oriental tobaccos. Costs were allocated to flue-cured looseleaf, strip, and stem processing. Sample data were not adequate to support an estimate of bundle processing costs.

The weighted average total cost of processing flue-cured tobacco by these firms in 1973-74 was \$10.83 per hundred pounds of redried weight. In 1966-67 the weighted cost was \$9.09. This comparison reflects the shift from bundle to loose and strip processing, to stem processing, and changes in technology and cost rates. Table 1 shows the distribution of flue-cured tobacco processed in the different forms by firms in the 1974 sample compared with the 1966 distribution. Excluding processed stems from the total, bundle accounted for only about 2 percent of the processed flue-cured output of the eight sample firms in 1973-74. Although looseleaf and strip both gained in relative importance the shift was clearly toward strip.

PROCESSING COSTS-LOOSELEAF AND STRIP

In 1973/74 total costs per hundredweight of processed looseleaf averaged 30 percent higher than in 1966/67. Strip costs were up 17 percent (table 2). Average variable costs for the two forms exhibited similar increases. Average fixed costs, however, rose substantially more for looseleaf than for strip.

Variable Costs

Variable costs for 1973/74 were allocated to the different output forms by the same method used in the 1966/67 study except that 1973/74 costs were also allocated to stem processing. Table 3 shows comparisons of variable cost items for the two time periods. In 1973/74 as in 1966/67 salaries and wages was the major cost component. However, salary and wage costs per hundredweight were up only 17 percent for looseleaf and 19 percent for strip despite an increase of more than 50 percent in hourly wage rates. Higher wage rates were partially offset by improved labor productivity. Between 1966 and 1973 most of the sample firms had installed some new redrying, threshing, and pick-

Table 2—Flue-cured tobacco processing costs per hundred weight, 1966-67 and 1973-74¹

Processed form	Cost, 1966-67 ²			Cost, 1973-74 ³		
	Vari-able	Fixed	Total	Vari-able	Fixed	Total
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Bundle . . .	6.63	1.71	8.34	---	---	---
Looseleaf . .	5.57	.97	6.54	6.73	1.78	8.51
Strip	8.35	3.83	12.18	10.03	4.23	14.26
Stems ⁴ . . .	---	---	---	3.92	.30	4.22

¹ Redried weight. ² Source: Wynn, N.A., et al.; *Processing, Storage, and Selected Storage Service Costs for Flue-cured Tobacco in Commercial Facilities, 1966-67 and Estimated 1968*, ERS-411, U.S. Department of Agriculture, Economic Research Service, May 1969. ³ Based on a sample of 8 firms. Sample size was not adequate to estimate bundle costs. ⁴ The amount of stem processing in 1966-67 was not significant. However, cost of strip processing in 1966-67 includes packing, shipping and otherwise disposing of stems.

ing equipment. Moreover, a few had also acquired new receiving equipment.

Substantial cost rises, reflecting higher prices, occurred for utilities and fuel, repairs and maintenance, and for hogshead and other packing materials. The category of "other operating expenses" includes trucking expenses, office supplies, protective services, various fees, insecticides, and other miscellaneous expenses. Average variable costs per hundredweight for this grouping declined. Costs for some of these items likely did not increase in proportion to the increase in volume processed per firm. It is reasonable to expect some economies of scale for such items as protective services, audit

Table 3—Flue-cured tobacco processing costs: Variable costs per hundred-weight for redrying and packing looseleaf and strip (including threshing) 1966/67 and 1973/74¹

Item	1966/67 ²		1973/74 ³	
	Loose-leaf	Strip	Loose-leaf	Strip
	Dollars	Dollars	Dollars	Dollars
Salaries and wages . .	3.37	5.79	3.93	6.88
Utilities and fuel . .	.26	.37	.38	.49
Repairs and maintenance . . . .	.24	.32	.39	.50
Hogsheads and packing material . .	.94	.90	1.37	1.39
Other operating expense . . . . .	.66	.83	.51	.54
Interest . . . . .	.10	.14	.15	.23
Total variable costs	5.57	8.35	6.73	10.03

¹ Redried weight. ² Source: Wynn, N.A., et al.; *Processing, Storage and Selected Storage Service Costs for Flue-cured Tobacco in Commercial Facilities, 1966/67 and Estimated 1968*, ERS-411, U.S. Department of Agriculture, Economic Research Service, May 1969. ³ Based on a sample of 8 firms.

fees, dues, and subscriptions. Redried volume per firm was 193,645 hundredweight in 1973/74 and 118,560 hundredweight in 1966/67. Interest costs were higher in the later period, reflecting sharply higher rates. Interest on operating expenses for 1973/74 was charged at 9.25 percent for a one-quarter year period. The rate for 1966/67 was 7 percent.

Fixed Costs

Fixed costs include depreciation and rent for buildings and equipment, insurance, taxes, home office costs, licenses, and bonds and interest on investment. To minimize variations among plants in depreciation allowances and interest on investment, data were summarized using standardized rates.

Concurrent with the acquisition of new more costly equipment between 1966 and 1973, depreciation costs rose for both looseleaf and strip (table 4). Interest costs were up sharply, reflecting greater investment and higher interest rates. Interest was allowed at 9.25 percent on the average investment in buildings and equipment compared with 7 percent in 1966/67. For land an interest charge of 8 percent was made on actual acquisition cost, up from a 6 percent charge in 1966/67.

Fixed costs per hundredweight were up less for strip than for looseleaf reflecting the stronger volume shift to strip processing.

Processing Costs—Stems

In 1973/74 the sample firms processed 237,000 hundredweight of tobacco stems. In 1966/67 stems were essentially a waste product incurring a disposal cost.

Stem processing costs for 1973/74, shown in table 2, included allocated salaries, wages, utilities, repairs and maintenance, packing materials, depreciation, and interest on operating expenses for stem redrying and packing. All threshing costs were allocated to strip. The 1973/74 processing cost for strip is increased by \$1.32 per hundredweight if stem redrying and packing costs are also allocated to strip.

Table 4—Flue-cured tobacco processing costs: Standardized fixed costs per hundredweight for redrying and packing loose leaves and strip (including threshing), 1966-67 and 1973-74¹

Item	1966-67 ²		1973-74 ³	
	Loose-leaf	Strip	Loose-leaf	Strip
	Dollars	Dollars	Dollars	Dollars
Depreciation and rentals	0.46	1.61	0.78	1.90
Other fixed . . . . .	.26	1.52	.30	.157
Total fixed costs . . . . .	.97	3.83	1.78	4.23

¹ Redried weight. ² Source: Wynn, N.A., et al.; *Processing Storage and Selected Storage Service Costs for Flue-cured Tobacco in Commercial Facilities, 1966/67 and Estimated 1968*; ERS-422, U.S. Department of Agriculture, Economic Research Service, May 1969. ³ Based on a sample of 8 firms.

CONCLUSIONS

Flue-cured tobacco dealer-processors are primarily exporters. The export market is extremely important accounting for more than 40 percent of total U.S. flue-cured disappearance in recent years.

Comparative processing costs of flue-cured tobacco for 1973/74 and 1966/67 reflect many changes. The raw product processed underwent a change in form between the two time periods. Processing technology was adopted to handle this new form and in response to escalating cost rates. Adjustments by dealer-processors dampened somewhat the cost effects of sharply rising cost rates between 1966/67 and 1973/74. However, processors likely will face further increases in prices they pay in the future.

Flue-cured tobacco farmers also face rising production costs. (3) As they attempt to hold the cost

line by mechanizing harvest operations, they will continue to impact upon the processing industry. It should be recognized that a practice that reduces cost at one stage while increasing cost at another may effect a net cost increase on the final product. Processing costs estimated here do not include an allowance for foreign material that may come from the farm in the form of sand, suckers, weeds etc. Processors' costs will be further increased if mechanization by farmers contribute additional foreign material to the raw product.

It now appears that harvest mechanization will progress rapidly. (4) With proper production practices including good weed and sucker control and competent machine operation this change can help keep U.S. flue-cured tobacco competitive in world markets.

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OUTLOOK CONFERENCE SCHEDULED FOR NOVEMBER 17-20, 1975

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The conference will feature presentations and panel discussions. Particular attention will be given to the outlook for domestic and world agriculture and the general economy in 1976. The complete schedule will be announced later. The outlook session for tobacco will be held Thursday, November 20.

STATISTICAL SUMMARY--CONTINUED

Item	Unit or base period	1974			1975		Last data as percentage of % year earlier	
		June	July	May	June	July		
Exports of leaf tobacco (farm-sales weight)								
Flue-cured	Mil. lb.	56.2	33.7	33.9	29.6	21.0	62	
Burley	Mil. lb.	11.8	9.1	12.5	4.0	2.9	22	
Maryland	Mil. lb.	.7	2.8	.4	.5	.4	14	
Virginia fire- & sun-cured	Mil. lb.	.9	.4	.3	.2	*	---	
Ky.-Tenn. fire-cured	Mil. lb.	1.3	3.1	1.4	.3	1.2	39	
Ky.-Tenn. dark air-cured	Mil. lb.	.1	*	.3	.2	1.3	---	
Black Fat	Mil. lb.	.3	.2	.4	*	.4	200	
Cigar wrapper	Mil. lb.	*	.1	.6	.5	.3	300	
Connecticut binder	Mil. lb.	.1	0	*	0	*	100	
Wisconsin binder	Mil. lb.	0	0	*	0	0	---	
Accumulated from beginning of marketing year 8/								
Flue-cured	Mil. lb.	598.0		518.7	548.3		92	
Burley	Mil. lb.	64.9	74.0	47.7	51.7	54.6	74	
Maryland	Mil. lb.	5.7	9.2	6.4	6.9	7.3	79	
Virginia fire- & sun-cured	Mil. lb.	3.2	3.6	3.7	3.9	4.1	114	
Ky.-Tenn. fire-cured	Mil. lb.	16.2	19.3	11.0	11.3	12.6	65	
Ky.-Tenn. dark air-cured	Mil. lb.	.5	.8	.3	.5	.5	62	
Black Fat	Mil. lb.	1.9	2.1	2.5	2.5	2.9	138	
Cigar wrapper	Mil. lb.	2.4		3.8	4.4		183	
Connecticut binder	Mil. lb.	.1	.1	.2	0	.2	200	
Wisconsin binder	Mil. lb.	0	*	*	*	*	53	
Cigar filler	Mil. lb.	.7	.7	*	.2	.2	28	
Exports of manufactured tobacco in bulk	Mil. lb.	3.7	4.1	.4	*	1.0	24	
Accumulated from Jan. 1	Mil. lb.	16.9	21.0	12.2	12.3	13.2	63	
		Quarterly data						
		1974		1975				
		Apr.-June:	July-Sept.:	Apr.-June:	July-Sept.:			
Stocks of tobacco--1st of quarter 9/								
Domestic types (farm-sales weight)								
Flue-cured	Mil. lb.	1,927	1,607	1,932	1,652		103	
Burley	Mil. lb.	1,377	1,217	1,374	1,224		101	
Maryland	Mil. lb.	40	68	45	67		99	
Fire-cured	Mil. lb.	73	64	64	57		89	
Dark air- and sun-cured	Mil. lb.	51	46	43	40		87	
Cigar filler	Mil. lb.	70	67	72	71		106	
Cigar binder	Mil. lb.	55	50	52	47		94	
Cigar wrapper	Mil. lb.	17	15	19	15		100	
Under Government loan 10/	Mil. lb.	474	433	249	221		51	
Tobacco sheet 11/								
Cigarette types	Mil. lb.	22.1	23.0	27.8	22.4		97	
Cigar types	Mil. lb.	1.4	1.6	.9	1.5		94	
Foreign types (farm-sales weight)								
Cigarette and smoking	Mil. lb.	477	497	567	630		127	
Cigar	Mil. lb.	120	124	129	134		108	
Tobacco outlets 12/								
Seasonally adjusted data, annual rates, for charts, p.2								
Cigarettes								
Production	Bil.	632.4	608.0	643.2	671.8		111	
Taxable removals	Bil.	569.6	553.6	590.8	608.4		110	
Large cigar production	Bil.	5.75	6.79	6.10	6.57		97	
Smoking production	Mil. lb.	45.3	49.8	47.3	48.4		97	
Chewing production								
Loose leaf	Mil. lb.	48.2	55.6	54.3	56.0		101	
Plug and other	Mil. lb.	26.2	26.5	27.7	26.6		100	
Snuff production	Mil. lb.	25.1	25.3	24.8	25.5		100	
Exports of leaf								
Total	Mil. lb.	854.7	542.9	626.1	407.0		75	
Flue-cured	Mil. lb.	623.4	406.6	453.0	305.0		75	

1/1974 and 1975 crops respectively. 2/Prices paid by farmers including interest, taxes and wage rates. 3/Seasonally adjusted. 4/Seasonally adjusted, annual rate. 5/Excise tax excluded. 6/Federal and applicable state and local taxes included. 7/Farm-sales weight equivalent. 8/July 1 for flue-cured and cigar wrapper and October 1 for others. 9/Holdings of manufacturers and dealers including grower cooperatives. 10/Reported by grower cooperatives. 11/Weight of tobacco leaf not including stems added. 12/Data for most recent quarter are estimates. *Less than 50,000 pounds.



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LIST OF TABLES

<u>Table</u>	<u>T i t l e</u>	<u>Page</u>
1	Cigarettes: Output, removals, and consumption, 1960-75	5
2	Tobacco products: Consumption per capita, 1966-75	6
3	Tobacco demand factors, 1966-75	7
4	Cigars and smoking tobacco: Output, removals, and consumption, 1967-75 ..	8
5	Chewing tobacco, snuff, and small cigars: Output by category, 1963-75 ...	10
6	Tobacco exports by types and countries, 1967-75	11
7	Tobacco exports under Government programs, and exports for dollars, 1955-75	13
8	U.S. imports of unmanufactured tobacco, for consumption and general, and countries of origin, 1974-75	15
9	U.S. imports of unmanufactured tobacco: Quantity and value, by kinds, 1974/75	16
10	U.S. tobacco allotments, by kinds of tobacco, 1975	16
11	Commodity Credit Corporation price support loans and program operations, 1973-75	17
12	U.S. exports of unmanufactured tobacco by types to principal importing countries, crop year, 1972/73-1974/75	19
13	Flue-cured tobacco auction markets: Gross sales, average price, sales data, 1974-75	20
14	Flue-cured and burley tobacco: Marketing quota and marketings, 1965-75 ..	21
15	Flue-cured and burley tobacco: U.S. supplies, disappearance, price, 1965-75	22
16	Flue-cured and burley tobacco: Stocks and stocks-utilization ratios, 1952-75	23
17	Maryland tobacco: U.S. supplies, disappearance, and prices, 1968-75	25
18	Fire-cured tobacco: U.S. supplies, disappearance, and prices, 1968-75 ...	27
19	Dark air-cured tobacco: U.S. supplies, disappearance, and prices, 1967-75	28
20	Cigar tobacco: Supplies, disappearance, and prices, 1967-75	31
21	United Kingdom tobacco: Imports, stocks, clearance, and exports, 1972-75	33
22	Tobacco: EEC imports, by major suppliers, 1955-74	33
23	Estimated leaf used for cigarettes by kinds of tobacco, 1950-74	35
24	Cash receipts from tobacco as percentage of cash receipts from crops and all farm commodities, by States, 1973 and 1974	36
25	Expenditures for tobacco products, and disposable personal income, 1965-74	36
26	Governmental revenues from tobacco products, 1966-75	37
	Statistical Summary	42