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Tobacco Marketing

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MARKETING FLUE-CURED TOBACCO IN ONTARIO

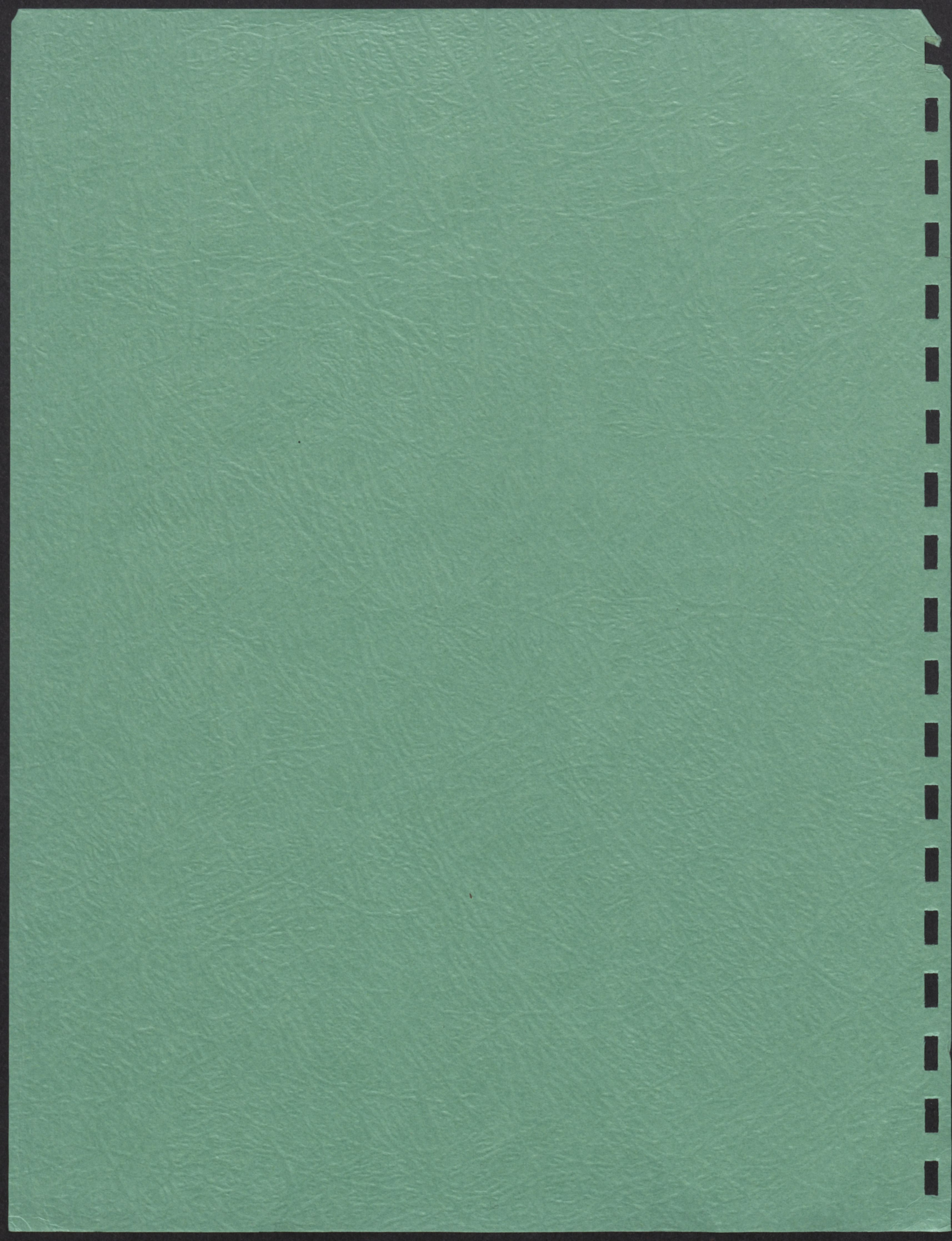
by

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PREFACE

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SUMMARY

Development of the Marketing System

The history of tobacco marketing in Ontario can be divided into four periods. These periods are differentiated by the degree of organized activity on the part of growers to improve their bargaining power and obtain a stronger influence over the marketing of their product.

The period from 1920-1931 was characterized by an absence of producer marketing activities. This was a developmental period for the production of flue-cured tobacco. This earlier production was largely confined to southwestern Ontario in the counties of Essex and Kent, which are referred to as the "Old Belt". During this period, however, tobacco growing also extended into what is now known as the "New Belt" which includes the counties of Norfolk, Elgin, Oxford, Brant and Middlesex, arranged in order of importance as tobacco producing areas.

From 1931 to 1936, an organized movement among tobacco farmers became evident. During this period a number of producers' agencies were formed. From 1936 to 1957 the Flue Cured Tobacco Marketing Association of Ontario was established, and influenced, to a considerable degree, the marketing of tobacco in Ontario without the aid of any special farm marketing legislation.

In 1957, the Ontario Flue-Cured Tobacco Growers' Marketing Board was organized under the regulations of the Ontario Farm Products Marketing Act, and is operating at the present time. Under the Ontario Farm Products Marketing Act, the Ontario Flue-Cured Tobacco Growers' Marketing Board gained large powers with respect to registration, supervision and enforcement of its directives.

Governmental price support programs in the form of deficiency payments or support prices have never been employed in the Ontario tobacco industry. However, a number of programs were initiated which did help producers enhance and stabilize prices. The most important program was the production control program. In the earlier years under the Flue-Cured Tobacco Marketing Association of Ontario, production control was carried out on a voluntary basis, whereas under the present Tobacco Growers' Marketing Board production control is compulsory. In addition to production controls, the tobacco growers also made use, on a number of occasions, of "special programs" which involved the borrowing of funds from commercial banks. The government guaranteed the loans against eventual loss.

Costs of Operating the Marketing System

Under the present marketing system, each producer pays a marketing fee of 1¢ per pound for every pound sold at the auction exchanges. This fee of 1¢ covers all expenses incurred by the Tobacco Growers' Marketing Board. The total revenue from the marketing fees for the years 1961, 1962, and 1963 were \$1,990,349, \$1,903,686, and \$1,801,757 respectively. The total costs of all operations conducted by the Tobacco Growers' Marketing Board for the same three years were \$1,246,725, \$1,610,710 and \$1,666,777. Under the old Barn Buying System which preceded the present Dutch Clock System, the producers'

marketing fee to the Flue-Cured Tobacco Growers Association of Ontario was only one-tenth of a cent.

The cost of operating the auction exchanges for the 1960-61, 1961-62, and 1962-63 selling seasons was, \$4.32, \$6.16, and \$5.51 respectively, per 1000 pounds of tobacco sold. If these costs are expressed as a percentage of the average price received by the producers, the operating costs are as follows: 0.8%, 1.2%, and 1.1%.

If the costs of operating the Ontario auctions are compared with those of the United States and Rhodesia, and if these costs are expressed as a percentage of the average price received by the producers, the results for 1960, 1961, and 1962 crop years are as follows:

Canada	0.8%	1.2%	1.1%
United States	2.9%	2.9%	2.9%
Rhodesia	2.1%	2.4%	2.3%

Major Advantages and Disadvantages of the Dutch Clock System

There are a number of advantages as well as disadvantages which the Dutch Clock System has over the old Barn Buying System. First, some of the advantages will be pointed out from the producers', as well as from the buyers' point of view; this is followed by some of the disadvantages.

Advantages:

From the producers' point of view, production control under the present system is compulsory for all tobacco producers and this gives them better control over prices. Under the Barn Buying System production control was carried out on a voluntary basis.

The pressure on the producers is not as great as it was under the Barn Buying System. Under the Barn Buying System the fact that the negotiated price determined by the Association applied only to a percentage of the whole crop, stimulated quick sales, as an individual producer did not know how soon the agreed percentage of the crop might be purchased. As a result most producers had a fear that they might not sell their crop until much later in the season and probably for less money than they had first been offered. Under the present system the fact that prices are set to include the whole crop and the fact that the sale of a producer's crop is spread over the entire selling season eliminates a great deal of frustration.

The producers also like the fact that the Dutch Clock minimizes the human element in the selling operation.

From the buyers' point of view, in particular the smaller companies, the present system is liked because they can buy the grades they want. Under the Barn Buying System, where a producer's whole crop is bought, it was a problem to get rid of the undesirable grades within that crop.

Disadvantages:

As compared to the Barn Buying System, the present system adds to the cost of marketing in a number of ways.

- (a) the producers' marketing fees have increased from 0.1 cents to 1 cent per pound.
- (b) transportation costs have increased. Under the Barn Buying System the tobacco was shipped directly from the farm to the factory, and furthermore, the producer did not have the problem of transporting 'no-sale' tobacco back and forth to the auctions.
- (c) processing costs have increased because companies do not have direct control over the flow of tobacco into their plants; as a result, plants at times do not operate at top efficiency.

The establishment of minimum grade prices for the entire crop has, to some extent, destroyed producer's pride in good workmanship, and the result is poorer sorted tobacco on the farm level.

Even though the introduction of the Dutch Clock System has created a number of problems and some friction between buyers and producers, yet if this system is compared to those in use in the United States and Rhodesia it becomes evident that the Dutch Clock System of selling tobacco is cheaper than the systems used there.^{1/}

^{1/} A summary of recent events and decisions in the marketing of Flue-Cured Tobacco in Ontario since 1964 is given in Appendix H.

INTRODUCTION

Objective

The objective of this study was to describe and analyze all phases in the marketing of raw leaf tobacco through auction exchanges in Ontario. Specifically the objectives were:

1. to describe the present system of marketing flue-cured tobacco in Ontario both from an administrative and from an operational point of view;
2. to analyze the operating expenses of the present system;
3. to analyze sales and prices in the three auction markets;
4. to determine reactions of buying companies toward the present system of marketing; and
5. to compare briefly the costs of the Ontario marketing system with those of the United States and Rhodesia systems.

Time Covered by the Study

In this section the marketing schemes in operation since the 1920's up to 1957 are outlined. However, the main portion of the study is concerned with the marketing scheme formulated in 1957, and with the development of basic information on the organization of the marketing system for flue-cured tobacco from that time up to the completion of the 1962-63 marketing season, April, 1963.

The sections of this study concerned with sales, price, and cost analyses, are based on information from the last three marketing periods, namely 1960-61, 1961-62, and 1962-63.

Sources of Information

Information for this study was obtained from the following sources:

1. The records of the Ontario Flue-Cured Tobacco Grower's Marketing Board;
2. Interviews with officials of the Marketing Board, employees of the Marketing Board, officials of Buying Companies, buyers of Buying Companies, truckers and tobacco producers;
3. Direct observation of the various operations in the three auction markets; and
4. Studies of tobacco marketing published by various sources both in Canada and in the United States.

PERIOD PRIOR TO PRODUCER MARKETING (1920-31)

The period from 1920 - 1931 was characterized by an absence of producer marketing. This period was actually a development period for the production of

flue-cured tobacco. While flue-cured tobacco was grown experimentally in Ontario as early as 1900, production on a commercial basis was not attempted until about 1913, when a crop of 100 acres was produced. This earlier production was largely confined to south-western Ontario in the counties of Essex and Kent, which are referred to as the "Old Belt." During the 1920's tobacco growing extended into what is now known as the "New Belt" which includes the counties further east from the "Old Belt" along the north shore of Lake Erie. The "New Belt" is generally regarded as the counties of Norfolk, Elgin, Oxford, Brant, and Middlesex, arranged in order of importance as tobacco producers. More recently the production of flue-cured tobacco has been extended to Simcoe, Northumberland and Durham counties.

In the years before 1930 most of the leaf tobacco was sold by individual producers to buyers at the barn door. Farm prices encouraged an expansion in tobacco acreage, and Canadian cigarette manufacturers changed their blends to incorporate a large proportion of domestic tobacco. By 1930, the depression had set in and had made a strong impact on American leaf prices. However prices in Canada remained sufficiently high to encourage further expansion in the volume of production.^{1/}

DEVELOPMENT OF PRODUCER MARKETING (1932-36)

Low prices for flue-cured tobacco in 1931 and 1932 resulted in an appeal by the growers to the Ontario government for financial support. As a result of the appeal, the Ontario Flue-Cured Tobacco Growers Association was formed with its marketing subsidiary, the Ontario Tobacco Sales Co-operative Limited. In 1933 the Southern Ontario Flue-Cured Tobacco Growers' Co-operative Association Limited replaced the Ontario Tobacco Sales Co-operative Limited. These organizations worked together in attempts to improve market conditions. A crop-evaluation service was offered to growers and a special arrangement was developed whereby the grower's tobacco could be processed and held by the producers' organization and an interim advance made to the grower. This was made possible through bank credits guaranteed by the provincial government.

In the spring of 1934 and inquiry into the tobacco industry was conducted by the Royal Commission on Price Spreads and Mass Buying. One of the outcomes of this inquiry was an attempt by buyers and growers to establish a three-year agreement involving a system of price negotiation. Following failure to reach an agreement with the buyers, the growers formed the Ontario Flue-Cured Tobacco Marketing Board under the provisions of the Dominion Natural Products Marketing Act. This board was controlled by producers but representatives of manufacturers and processors had seats on it. The functions of the Board included licensing of buyers, individual crop inspection and appraisals, and the adoption each year of an average price for the crop as a whole. The board also had the power to withhold certain grades for export or other purposes, and it maintained general supervision of the marketing of the crop.

^{1/} Based on some of the findings in an M.S.A. thesis, "Some Economic Aspects of Production Control in the Flue-Cured Tobacco Industry of Ontario." D.K. Elz. For details refer to Appendix A.

The Ontario flue-cured tobacco marketing scheme was relatively short-lived, because the Canadian Natural Products Marketing Act was declared unconstitutional by the Supreme Court of Canada in 1936. As a result, the tobacco marketing scheme along with all the other marketing schemes which operated under that Act were disbanded. The Ontario Flue-Cured Tobacco Growers' Marketing Board, however, immediately applied for incorporation under the Ontario Companies Act as the Flue-Cured Tobacco Marketing Association of Ontario. The charter was granted on the recommendation of the Ontario Department of Agriculture.

THE FLUE-CURED TOBACCO MARKETING ASSOCIATION OF ONTARIO, 1936-1957

During the 1936 - 1957 period the Flue-Cured Tobacco Marketing Association of Ontario regulated flue-cured tobacco marketing in Ontario. In general the Association adopted all the provisions of the previous scheme, and in addition made provisions for the control of the tobacco acreage of its members.

Organization of the Association

On the establishment of the association, producer membership was open to all farmers in Ontario who were growing flue-cured tobacco in 1936. After 1936, new producer membership in the association does not appear to have been available every year, but new members were admitted from time to time on the decision of the Board of Directors.

The headquarters for the Flue-Cured Tobacco Marketing Association of Ontario was in Simcoe, Ontario. The management of the affairs of the Association was carried out by a Board of Directors which originally consisted of 23 members. The constitution of the Association was eventually changed so that the Board of Directors would consist of 14 members, 7 of which were elected by the growers while the other 7 represented the 7 tobacco buyers. The producer members of the Association were obliged to pay approximately 1/10 of a cent for every pound of tobacco sold, to the Association for services rendered.

Acreage Control

Upon the formation of the Association in 1936, producer members were allotted a base acreage of 45 per cent of the land suitable for tobacco productions. In 1956, an additional restriction was added whereby the acreage allotment was based on 6 acres per kiln, i.e., a producer with a farm equipped with 6 kilns would have a base acreage of 36 acres. He was, however, not allowed to equip his farm for more than 45 per cent of the land suitable for tobacco production on his farm.^{1/}

Prior to the period of planting in each year, the Association attempted to forecast the quantity of flue-cured tobacco which would meet the demand of the domestic as well as export markets at a price considered to be satisfactory to farmers and buyers. It must be remembered here that the board of directors of

^{1/} As far as acreage allotments are concerned, no change took place when the Ontario Flue-Cured Tobacco Growers' Marketing Board took office in 1957.

the Association included grower and buyer members. Both parties had their say in the estimation of the quantity of flue-cured tobacco desired. When agreement was reached, the acreage considered necessary to produce the estimated quantity of tobacco was fixed.

The expected demand was estimated by considering:

- (a) domestic and export requirements,
- (b) imports, and
- (c) production by independent growers in Ontario.

The production of producer members of the Association was controlled by fixing the proportion of the base acreage allotment of each member's farm which could be devoted to flue-cured tobacco in each year. In any year when it was felt that less than a normal crop on the base acreage could be disposed of, the Association reduced the base acreage by an amount considered to be sufficient to keep the total output in line with anticipated demand. When this was the case, the producer members of the Association were advised early enough ahead of planting what percentage of reductions on the base acreage would apply during that year.

The Association kept strict control over acreage allotments of its members; a staff of fieldmen were employed to measure farmers' allotments, and carry out inspection to see that any tobacco planted in excess of the quota for the year was destroyed. Members who did not conform with the regulations of the Association lost their membership privileges.

Barn Buying System

Until 1957, Ontario flue-cured tobacco was sold by a method known as the barn buying system. Under this system tobacco buyers employed staffs of fieldmen who acted both as inspectors of tobacco and buying agents. During the growing season these agents inspected tobacco in the field and at harvest time they visited the farms as often as twice a week to inspect the tobacco as it was cured. A final check was made when the whole crop was in the barn. Agents of each principal buyer usually inspected close to 100 per cent of the flue-cured tobacco in the Province. Notes were kept regarding individual crops, and interim reports were made to the central buying office of the firm. Final reports were made when all curing was completed, and by that time buyers had a reliable picture of the entire crop, both as to quality and quantity.

The buying season opened sometime after harvesting and curing was completed, usually about the beginning of November. Buying agents were instructed as to the types of tobacco required by the buying firm, and as to the approximate price to be paid. When buying commenced, the buying agents, who had information both as to the needs of their respective companies and the quality of particular crops, called on producers who had tobacco of the types desired by them and made offers for the crops. If agreement on the price was reached, a contract was signed and the buyer usually stipulated the manner in which the tobacco was to be sorted and packaged for delivery. The sorted or 'graded' tobacco was further prepared for delivery by tying it in 'hands', or by packing it in bales. Buyers who stipulated that the tobacco be tied paid growers one cent a pound for this operation. While the tobacco was being prepared for delivery,

it was usually inspected by the buyer's representative from time to time to ensure that grading instructions were followed.

The tobacco was delivered to the buyer's plant on dates specified by him. The buyer usually ordered tobacco in several deliveries, so that the 'sand leaves' or lower leaves of the tobacco plant were brought in first and other types of leaf at later dates.

The tobacco was shipped by truck from the farm directly to the processing plant, the trucking fees being paid by the producer. As the tobacco was unloaded at the plant every bale was checked and the producer was penalized for bales which did not meet company specifications. The producer could either leave the rejected bales at the plant at a reduced price or he could take them home, resort them and bring them back with the next shipment. Payment to the producer was made on delivery of the tobacco.

Establishment of a Minimum Average Price

The Board of Directors of the Association had the responsibility of establishing the minimum average price for the current crop. ^{1/} This was done through a Market Appraisal Committee which the Board appointed. The Marketing Appraisal Committee consisted of three directors representing the producer members, and three directors representing the buyer members. It was customary for the committee to meet for price determination some time in October, or shortly before the crop was ready to be marketed. If the Committee failed to agree unanimously upon an average price per pound, there were provisions for a government "referee" to be called whose decision was final and was binding upon the Committee and the Board of Directors. In case the aggregate purchase price was less than the aggregate appraisal value of all tobacco purchased in that year the buyers were obliged to pay to the Association the difference between the negotiated minimum average and the actual price paid by the buyers. This amount was to be distributed by the Association to the various member growers. However, there is no evidence that such a situation occurred during the history of the Association.

Independent Growers

There was always a number of farmers who grew tobacco without being members of the Association. The disadvantage of non-membership was primarily a matter of lack of assurance of a market, i.e. the independent grower had no assurance that if he produced a crop of flue-cured tobacco he would be able to sell it, or if he did sell it that he would secure as good a price as members of the Association. However, during this period the total demand for tobacco was rising. This meant that buyers bought all the tobacco from both members and non-members which was of sound quality. In fact, the Association, in deciding on its acreage allotment, always took into consideration the estimated production of tobacco by growers outside the Association. The result, therefore, was that Association members in cases where acreage was restricted accepted reductions

^{1/} Usually price negotiations were based on a minimum average price for only a percentage of the crop grown by members of the Association. This percentage ranged from 80 to 93 per cent.

in their acreages, whereas independent growers were able to expand output and could hope to dispose of their production at favourable prices. This situation was only tolerable because the production of independent growers did not exceed 10 per cent of total production until 1955 (a year in which members took a 30 per cent reduction in acreage). In that year abandonment of control was threatened unless provisions were incorporated under which independent growers accepted membership in the Association and became subject to the same measures of control.^{1/}

Pricing Tobacco

Price support programs in the form of a deficiency payment of support prices have never been employed in the Ontario tobacco industry. However, a number of programs were initiated which did help producers enhance and stabilize prices. The most important one was the production control program. Government support was obtained in that the producers through their marketing board were given legislative powers to carry out and enforce the program.

In addition to production controls, the tobacco growers also made use, on a number of occasions of "special programs" which involved the borrowing of funds from commercial banks. Again, these "special programs" were supported by the Government in that the Provincial Government gave to the producers, through their marketing board, the legislative power to enforce these programs, and also guaranteed the loans against eventual loss.

Special Programs

Aside from production control, the first and only special program under the Association was introduced in 1933 when approximately 3,500,000 pounds of the 27,000,000 pound crop remained unsold. The two existing growers' associations at that time purchased the 3,500,000 pounds through advances made by the commercial banks. The loans were guaranteed by the Government of Ontario. This program remained in effect for only the one year because agreements concerning prices which cleared the market were reached the following year.

There is no doubt, judging from the trend of average prices^{2/} paid, that the production program as administered by the Association had a substantial upward pressure on prices, as well as a marked stabilizing effect on prices because both producers and buyers took part in setting the production quota.

Major Objections to the Association

Perhaps the chief objection to the Barn Buying System was that it caused discontent among growers because of a feeling that buyers discriminated among producers and at the same time, since the price was based on a percentage of the crop, it stimulated quick sales as a producer did not know how soon the agreed percentage of the crop might be marketed. As a result most producers had a fear that they might not sell their crops until late in the season and probably for less money than had at first been offered. Often there were lineups of producers

^{1/} Appendix A, Table A - 3 gives numbers of farms belonging to Association members and to independent growers.

^{2/} Prices per pound are listed in Appendix A, Table A - 1.

at the Buyers' places of business to sell their tobacco, and producer frustration was not uncommon during the period when they contracted to sell their crop.

By 1956, over 10 per cent of the flue-cured tobacco in Ontario was grown by independent growers. This existence of independent growers resulted in an increased supply of leaf tobacco and this tended to defeat the purpose of the supply control program of the Association.

These objections caused increased dissatisfaction among growers and they became openly critical of the policies of the Association and the manner in which they were handled by the directors. As a result of a petition of producers to the Ontario Farm Products Marketing Board, a vote was held on a plan to form the Ontario Flue-Cured Tobacco Growers' Marketing Board. The vote was taken in May, 1957, and approved by about two-thirds of the growers.

ORGANIZATION AND ACTIVITIES OF ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Organization

The Ontario Flue-Cured Tobacco Growers' Marketing Board was elected immediately following a plebiscite in 1957. Under the Ontario Farm Products Marketing Act, a Growers' Marketing Board gained large powers with respect to registration, supervision and enforcement of its directives. The Farm Products Marketing Board, which exists at the Provincial level and administers the Farm Products Marketing Act,^{1/} delegates to a Local Board, i.e. Ontario Flue-Cured Tobacco Growers' Marketing Board, the powers contained in the Ontario Flue-Cured Tobacco Growers' Marketing Plan.^{2/}

Organization under Authority of Ontario Farm Products Marketing Board

Whenever the Ontario Farm Products Marketing Board receives from a group of producers in Ontario a petition or request asking that a plan be established for the marketing or regulating of a farm product and where the Farm Products Marketing Board is of the opinion that the group of producers represents 15 per cent of the producers affected by the proposal, the Ontario Farm Products Marketing Board (OFPMB) will investigate and consider the purposes of the plan and matters relating to the marketing of the farm product. If upon investigation, in the opinion of the OFPMB a plan for the marketing of a farm product will be conducive to the more efficient production and marketing of the farm product, the OFPMB may submit to a plebiscite of the producers the question of establishing the plan. In a similar manner a plebiscite can be arranged by the OFPMB for the purpose of amendment or withdrawal of a marketing plan.

^{1/} This act is found in Volume 2 of the Revised Statutes of Ontario, 1960.

^{2/} APPENDIX B gives a brief outline of the legislation on producers' marketing boards in Canada.

When the plebiscite is taken and 66 per cent of the votes are in favour of the question submitted, the OFPMB may recommend that the proposed plan be established or the existing plan be amended or withdrawn, as the case may be. In 1957 such a plebiscite was arranged for the tobacco producers. Over 66 per cent of the producers were in favour of a marketing plan. The marketing plan for tobacco therefore was formulated by the Ontario Farm Products Marketing Board, which is binding on all producers and contains the powers, regulations and procedures regarding all phases of the marketing of tobacco.^{1/}

Board Membership

Membership in the Local Board consists only of farmers. For the election of representatives to the local board, the flue-cured tobacco producing area in Ontario is divided into 14 districts which are substantially the same as those set up by the Association in the early 1940's. The producers in each district elect one producer who becomes a director on the Local Board. The 14 directors elected by the tobacco producers then elect a 15th director from the nominees nominated by the share-growers. The 15 directors appoint one of their members as chairman of the Local Board.

In addition to electing one director, the producers in each district also elect 4 producers called committee men. The director and the four committee men in each of the 14 districts make up what is called the District Flue-Cured Tobacco Growers' Committee. The purpose of the District Committee is to maintain a channel of communication between producers and their Board.

Once the directors of the Local Board are elected they are appointed to various committees. In many cases one director belongs to two or three committees. The committees in existence at the present time are:

1. Finance, Insurance and Claims.
2. Export Promotion, Marketing and Publicity.
3. Marketing Procedures, Exchange Maintenance and Concessions.
4. Regulations and By-laws.
5. Labour conditions.
6. Building and Sites.
7. Land assessment.
8. Negotiating Committee for Tobacco.

^{1/} APPENDIX B lists the powers contained in the Ontario Flue-Cured Tobacco Growers' Marketing Plan.

Facilities

Head Office

Headquarters for the Board executive and directors is in the downtown area of Tillsonburg. The office space is rented, but office fixtures, furniture and machines are owned by the Marketing Board.^{1/} Plans for erecting a new office building for the Marketing Board are well under way. During the 1961-62 selling period, every producer had the opportunity to cast a vote concerning the location of the new head office. The three possible locations were: Delhi, Tillsonburg, and Aylmer. When ballots were counted, most producers were in favour of establishing the head office at Tillsonburg.

The Auction Exchanges

Each warehouse is complete with its administration offices, auction room to house the Dutch Auction Clock, private office facilities, accounting office facilities, and the many other requirements of a structure through which such a large volume of tobacco is to be auctioned.

The auction exchanges are located at Delhi, Tillsonburg, and Aylmer, in the heart of Ontario's flue-cured tobacco growing area. All three buildings are identical, having floor space of 63,000 square feet each. The actual warehouse area, excluding the office space is 56,000 square feet. During the marketing period of the past five crops, it has been demonstrated that each exchange can conveniently offer for sale 800,000 to 1 million pounds daily.

The tobacco display rooms are illuminated by constant artificial light to give true daylight effect for the buyers to appraise the value of the tobacco. The exchanges are equipped to maintain optimum temperatures and humidity for the proper handling of tobacco.

The buildings are of a rigid steel frame with smooth concrete floor, large clear-span interior, ideal for warehousing, and easily expanded for future needs.

Exchange Offices^{2/}

Each exchange is complete with its administration offices, private office facilities and accounting office facilities. The administrative staff as well as the clerical staff is headed by one warehouse manager who receives his orders from the main office via the operation manager. The office staff in each exchange is concerned solely with the clerical work arising from the operations in the warehouse.

In each exchange there are also available rented offices with private telephones for each buying company.

^{1/} Table 4, in APPENDIX E contains the inventory of the Head Office.

^{2/} Table 2 and 3 in APPENDIX E contains a list of office furniture, fixtures, office machines and files, found in the offices of each exchange.

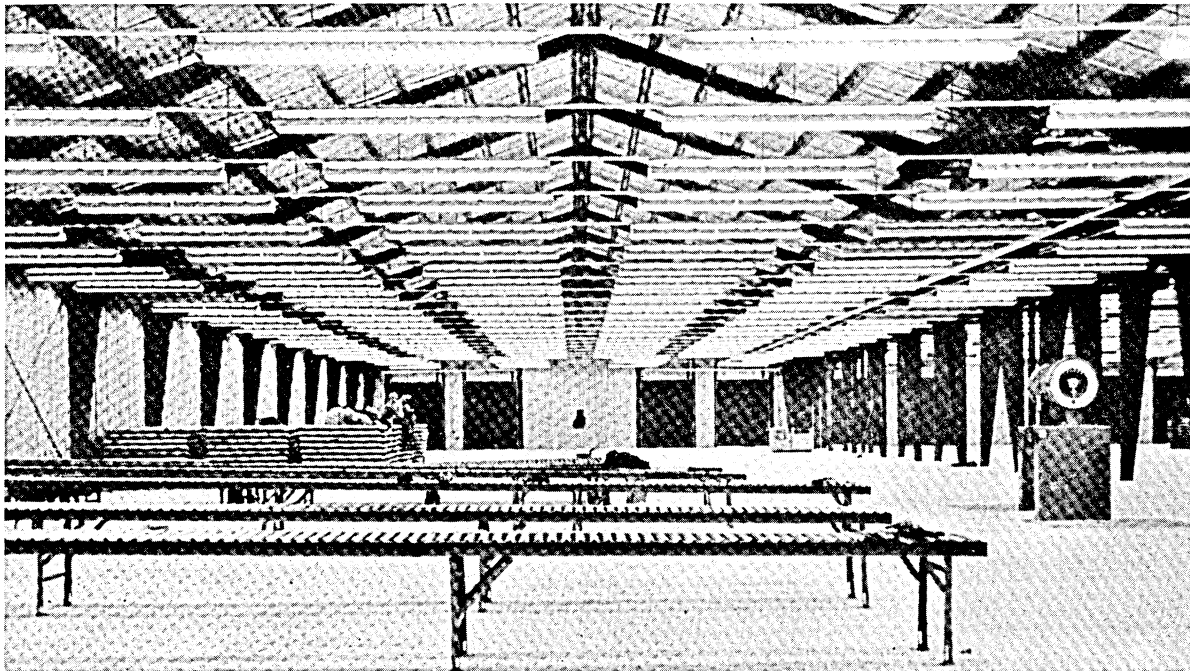


Fig. 1. The clear-span unobstructed interior pictured above shows only one-third of the building. Five hundred fluorescent lights provide the controlled lighting required in each of the tobacco warehouses.

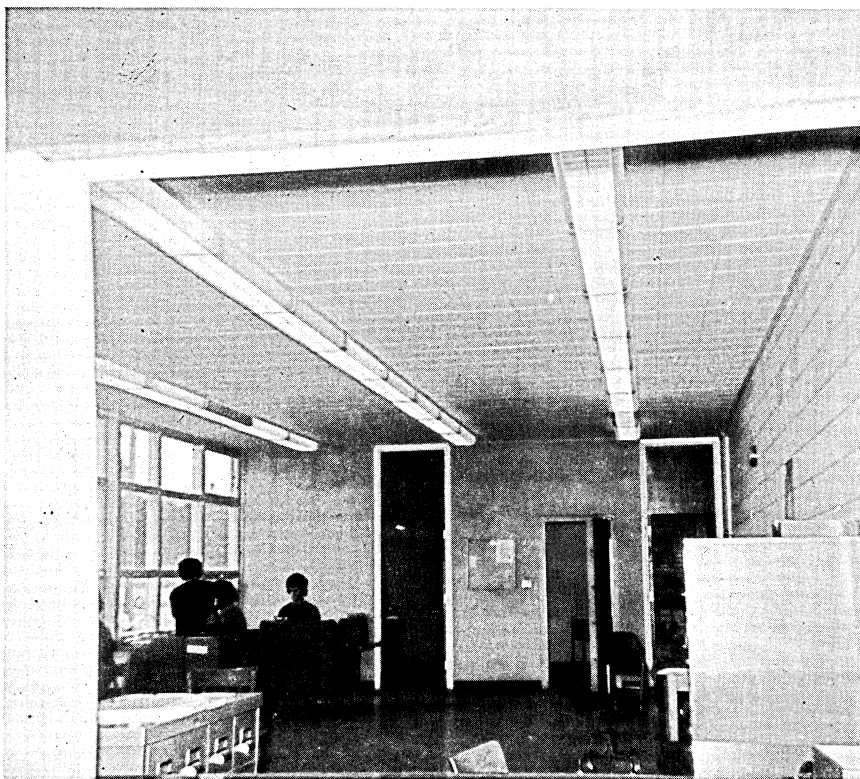


Fig. 2. The main accounting office in one auction exchange.

Figure 1 in APPENDIX G presents a floor plan of an auction exchange. The farmers' room is connected with the auction room by an intercom. system. In this area the producers can follow the sales on catalogues provided for them. If a producer wants to reject a buyer's bid, he has approximately 15 minutes in which to make up his mind after the bid has been placed. If the producer wants to reject the bid, he notifies the official in the farmers' room, who then conveys the information to the accounting office.

Activities

Production Control

When the Tobacco Marketing Board took office, compliance with acreage restriction became compulsory for all Ontario tobacco farmers. Non-compliance under the rules of the Marketing Board prevents a farmer from selling his tobacco. The Marketing Board when it came into power adhered to the principles of acreage control in general as established by the Association, but an alteration was made in the allocation of yearly allotments, the first six acres of the base acreage being made exempt from any cuts in acreage allotments. Thus, a quota of 80% for a farm with 40 acres base acreage, means that the 80% refers to only 34 acres and not to the 40 acres.^{1/} Since 1959 the Local Board has not accepted applications for tobacco rights from any producer. (For this reason some of the producers have opened new farms or increased their acreages without permission of the Marketing Board; such growers who operate outside the Local Board are referred to as 'Free Lancers').

When the Local Board feels that an increase in total acreage is desirable, it makes this public and awaits applications as was the case in 1958-59. Before accepting a producer's application, whether this be an application for an increase in acreage on an established tobacco farm, or an application for bringing a 'new' farm into tobacco production, the Local Board carefully examines each applicant's case. If, on examination the Board finds that the applicant's farm unit meets required conditions, increased or new 'rights' are granted.

The main reason for not accepting any application for new farms or acreage increases was that since the spring of 1958 more than 20,000 acres have been added to the basic marketable acreage.^{2/} This is an increase of 15 per cent. During the same period the rate of increase in the use of tobacco in Canada has been less than 3 per cent, and the volume of exports of Canadian leaf has not increased appreciably in the past ten years. For the twelve year period 1951-1962 exports averaged about 34,000,000 pounds.^{3/} Since the domestic use of tobacco and the export volume has increased at a much smaller rate than the increase in total marketable acreage, and yield per acre, tobacco producers have had to accept a decrease in annual marketable acreages since 1958.

^{1/} This change was made in order to make the small producer, say with a basic marketable acreage of 20 or less, more efficient.

^{2/} In a previous section of this study it was pointed out that upon the formation of the Tobacco Growers' Association in 1936, producer members were allotted a base acreage of 45 per cent of the land suitable for tobacco production. Also it was pointed out that in 1956 an additional restriction was added whereby the acreage allotment was based on 6 acres per kiln. For example, a farmer with 100 acres of suitable land equipped with 6 kilns would have a base acreage of 36 acres. However this base acreage could be increased up to 45 acres if the farmer was willing to construct 1 or 2 additional kilns and provided, of course, the Tobacco Growers' Marketing Board accepted such applications. Therefore the term, Basic Marketable Acreage, refers to the original allotments which were granted to each farmer prior to 1956 or during 1958-1959 when the Local Board accepted new applications.

The term, Annual Marketable Acreage, means the percentage of the Basic Marketable Acreage which each farm is allotted each year.

^{3/} For more detail refer to APPENDIX A.

Table 1
Annual Marketable Acreages since 1957

Year	Acreage quota of the basic marketable acreage allotment (after exempting the first 6 acres from each allotment)
1957*	70%
1958	87.5%
1959	75%
1960	85%
1961	80%
1962	75%
1963	60%

*1957 acreage quota was set by the Producer Association.

To make sure that the producers do not exceed their acreage quotas, set annually by the Local Board, fieldmen, hired by the Local Board, measure each producer's acreage planted in tobacco. Any producer with a planted acreage exceeding his quota, must destroy the portion in excess. This can be carried out by the Local Board effectively because each farm with its corresponding base acreage, is registered with the Local Board.

Pricing

Crop Evaluation

The Tobacco Marketing Board employs a staff of fieldmen who inspect, grade, and estimate the weight of each producer's crop. Notes are made on individual crops and filed. By the time all the producers' crops have been inspected, which is usually toward the end of October, the Marketing Board has a fairly clear picture of the entire crop, both as to quality and quantity. The Local Board makes use of this information when prices are negotiated, when producers are assigned to their respective auction exchanges, and when ordering tobacco to the exchanges from the producers.

Negotiation

The negotiating agency is known as "The Negotiating Committee for Tobacco." This committee consists of six persons appointed annually after the 15th day of July and before the 1st day of October. Three of the members of this committee are appointed by the Local Board and three are appointed by the buyers.

The negotiating committee for Tobacco is empowered to adopt or settle by agreement, (a) minimum prices for tobacco or for any class, variety or grade of tobacco,

- (b) terms, conditions and forms of agreements relating to the producing or marketing of tobacco,
- (c) any charges, costs or expenses relating to the production or marketing of tobacco.

Arbitration

When a meeting is held before October 15th and the Negotiating Committee for Tobacco does not arrive at an agreement respecting all matters which it is empowered to adopt or settle, the matters in dispute are referred by the Local Board to an Arbitration Board.

The Arbitration Board consists of three members. One member is appointed by the three members of the negotiating agency appointed by the Local Board and one member is appointed by the three members of the negotiating agency appointed by the buyers. These two members so appointed to the Arbitration Board appoint a third member. Where the two members fail to agree on the third member, the Ontario Farm Products Marketing Board appoints this third member. In the past the Farm Products Marketing Board has appointed the member defending the buyers' interests as well as the third member of the Arbitration Board, owing to the buyers' refusal to recognize the Negotiating Committee.

Since 1957 the minimum grade prices were established by an Arbitration Board.

The Arbitration Boards in the past years were requested to deal only with the fixing of the minimum prices for each grade of tobacco, excepting only the grades that fall within the classification of "nondescript" and grades marked with special factors. Table 1 in Appendix M indicates the awarded minimum grade prices for the 1960, 1961 and 1962 tobacco crops.

Establishment of Grades

To be effective, the auction method of selling requires an adequate grading system. The grades for tobacco were established under the Farm Products Grades and Sales Act of Ontario. They are based upon certain physical characteristics which are apparent to an experienced leaf man. Tobacco is classified according to quality, stalk position, and colour. In addition there are a number of special categories for nondescript, hailed, frosted, smoked etc. Presently there are 81 recognized grades for tobacco.^{1/}

Grader Employment and Supervision

The grading in the auction exchanges is carried out under the supervision of the Ontario Inspection Service. The Ontario Flue-Cured Tobacco Growers' Marketing Board hires 60 graders for the auction exchanges. These graders

^{1/} Table 2 in APPENDIX F contains the grades established under the Farm Products Grades and Sales Act of Ontario.

are responsible to the Ontario Inspection Service and not to the Local Board. In addition to the 6 graders the Ontario Inspection Service, through the Ontario Department of Agriculture, appoints 6 grading supervisors and 18 grading inspectors.

No-Sale Tobacco

'No-sale' of tobacco occurs if the buyers are not willing to pay the minimum grade price for a lot of tobacco which has been placed on the auction floor. Table 2 shows the yearly amount of 'no-sale' tobacco in pounds from 1960-61 to 1962-63 inclusive.

Table 2

'No-Sale' Tobacco 1960-61 to 1962-63 (lbs.)

<u>1960-61</u>	Delhi	Tillsonburg	Aylmer	Total
Amount 'No-sale'	5,028,234	4,819,504	7,027,084	16,874,822
Returned to farms	451,082	500,560	784,031	1,740,673
% returned to farms	0.64	0.82	1.13	0.87
 <u>1961-62</u>				
Amount 'No-sale'	23,241,819	27,179,857	35,969,932	86,391,608
Returned to farms	3,103,928	3,392,740	4,820,157	11,316,825
% returned to farms	4.47	4.96	7.55	5.61
 <u>1962-63</u>				
Amount 'No-sale'	13,924,158	15,898,246	26,537,547	56,359,951
Returned to farms	2,682,783	2,692,344	3,828,354	9,203,481
% returned to farms	4.09	4.27	6.25	4.85

The responsibility for the 'no-sale' tobacco rests entirely with the Ontario Flue-Cured Tobacco Growers' Marketing Board. The operations are supervised by an employee of the Local Board experienced in tobacco redrying.

Tenders were invited to redry, pack and store tobacco that failed to sell at the Auction Exchanges. 7,000,000 pounds of 'no-sale' tobacco of the 1961 crop was redried, packaged and stored by some of the Canadian tobacco buying companies. The Local Board had the assurance of most of the buying companies that they would take part in processing and storing the 'no-sale' tobacco if such resulted.

Special Programs

Like the Tobacco Growers' Association, the Tobacco Growers' Marketing Board did not make use of price support programs in the form of deficiency payments or support prices. However, in addition to the production control program, the Tobacco Growers' Marketing Board did make use of special price support programs on two occasions. The two occasions when these special programs were employed occurred during the 1961-62 and 1962-63 selling seasons.

In the latter half of the 1961-1962 selling season a large amount of tobacco went 'no-sale.' The Tobacco Growers' Marketing Board attempted to introduce a levy on producers in order to purchase the unsold tobacco. The question concerning the levy was submitted to a plebiscite of the producers; the producers voted against the levy plan. However, when the amount of 'no-sale' tobacco continued to increase after the levy had been rejected by the producers, the Tobacco Growers' Marketing Board turned to the Federal Government and asked for a bank loan under the Agricultural Products Co-operative Marketing Act. The Federal Government granted the request and guaranteed a loan for buying the 'no-sale' tobacco. Of the 1961 crop approximately 7,000,000 pounds of unsold tobacco was pooled. The Local Board was appointed the selling agent of this pooled unsold tobacco. The producers of this tobacco received 80% of the average price per pound paid by the buyers throughout the 1961-62 marketing season. Once the pooled tobacco is sold^{1/} the revenue in excess of the bank loan and the various processing, storage and handling charges, will be distributed among the producers who owned this pooled unsold tobacco. It must be remembered that this guaranteed bank loan was approved only for the unsold portion of the 1961 crop.

When the 1962-63 marketing season opened on November 15 a large amount of 'no-sale' tobacco again occurred. During the first week when the Auction Exchanges were in operation 7,000,000 pounds were offered for sale in the three Auction Exchanges, but 1,000,000 pounds were taken back to the farms after this quantity was rejected twice by the buying companies. After the first week the warehouses closed and remained closed for the following two weeks during which the Tobacco Growers' Marketing Board negotiated terms for some sort of assistance with the Ontario Farm Products Marketing Board. After a great deal of consultation, the Ontario Farm Products Marketing Board agreed to support a levy plan only if 66 2/3% of the producers voted in favor of such a plan. The question concerning the levy was submitted to a producers' vote, and this time approximately 85% of the producers voted in favor of the levy plan. After the levy plan had been passed the Tobacco Growers' Marketing Board continued to press for an unlimited amount of money guaranteed by the Provincial Government to back the tobacco Growers' levy plan; the Ontario government finally agreed to an unlimited levy loan. The three Auction Exchanges were once again opened after a two week shut-down.

Regulation of Cultural Practices

The use of maleic hydrazide (MH-30) has been the main controversial subject concerning cultural practices that has concerned the Local Board.

In a meeting with the Farm Products Marketing Board, in November 1962, an agreement was reached and the following proposal adopted.

The responsibility concerning the use of MH-30 was placed entirely on the producer. He would be asked to declare whether he has used the chemical or not. The producer would run the risk of being prosecuted by the companies if they found tobacco which was treated, but was not declared as such by the producer. This new regulation has become an amendment to The Farm Products Grades and Sales Act of Ontario.

^{1/} The Marketing Board hopes to sell this tobacco on the export market.

If tobacco is suspected of having been treated with MH-30, the companies can have a test made on such tobacco, and then can take certain actions against the producers if the test is positive.

Furthermore if producers, suspected of having treated tobacco, do not allow samples to be taken for tests, the Local Board will not put their tobacco on sale until such tests have been made. All treated tobacco will be marked as such on the grade slips. For the 1962 crop the minimum grade prices did not apply to treated tobacco. There is a possibility, that in the future, minimum grade prices may be negotiated or arbitrated for tobacco treated with MH-30.

Regulation Enforcement

The Ontario Flue-Cured Tobacco Growers' Marketing Board is not a voluntary organization as was the Association preceding it, and thus, as indicated in the Flue-Cured Tobacco Growers' Marketing Plan, the Local Board has very strong legislative powers which enables it to force unco-operative growers to obey the regulations adopted by the Board.

The Levy

The levy is authorized by the Ontario Farm Products Marketing Board under the Agricultural Products Marketing Act following the support of 66 2/3% of the tobacco producers who vote.

The levy remains in effect until revoked, but its use has to be annually approved by the Provincial Government. The Tobacco Growers' Marketing Board also decides each year if the levy is to be used and at what rate it will be used. The rate may be less than 2¢ but cannot exceed it. For the 1962 crop the rate of the levy was set at 2¢ for every pound of tobacco sold. This meant that when the producer received his cheque for a certain shipment from the Local Board, 3¢ had been deducted for every pound in that shipment; one cent for licence fees, and 2 cents for the levy plan.

Special factored and ND grades, since they have no minimum grade price, do not qualify for levy support. This also means that the producer is not deducted 2¢ per pound for tobacco which is graded and sold as special factored or ND tobacco.

The two-cents-a-pound levy from each tobacco producer was used to take off the market tobacco that did not sell after it had been put up for sale twice. The Ontario Government guaranteed loan was used to take off the surplus tobacco if the levy was not sufficient.

Under the levy plan, the producer still retains the privilege to remove his tobacco from the Auction Exchange to be returned with a future shipment and offered for sale again.

The unused portion of the levy when no longer needed will be refundable to the producers.

Program Evaluation

Production Control

The acreage control program as carried out by the present Marketing Board had even a greater upward pressure on prices than under the Association.^{1/} As far as reducing the variability of prices is concerned the Marketing Board carried this further than the Association. The Marketing Board tried to reduce variability by fixing minimum grade prices for each grade.

Perhaps it should again be pointed out that under the present Marketing Board buyers are not represented on the Board of Directors which makes the decisions concerning yearly acreage allotments. For this reason buyers were never willing to negotiate minimum grade prices, and consequently minimum grade prices were established by arbitration.

Levy

From the producers' point of view the levy plan offered a number of advantages which contributed to more orderly marketing.

Because of the levy plan no producer was obliged to take home tobacco because it did not sell, as all tobacco other than special factored and ND grades had a price bid equal to the awarded minimum grade price less the levy and the license fee.

The levy did limit the merry-go-round in the Auction Exchanges. Until the 1962-63 marketing season tobacco was offered for sale up to four times; this involved a great deal of extra labor. First of all, after the tobacco was graded and weighed it was placed onto the auction floor where it was offered for sale twice. If no sale occurred the second time then such tobacco was removed from the auction floor to the regrade department where it was re-arranged on the flats and re-graded if necessary, and then it was placed on the auction floor again and offered for sale a total of four times, then bales were re-wrapped by warehouse employees and taken home by the producer. However, under the levy plan, tobacco, after it had been graded and weighed, was placed on the auction floor and offered for sale only twice. If no sale occurred the second time, then the Local Board bought it, paying the minimum grade price.^{2/} The levy increased the pounds of tobacco put through the Auction Exchange daily, thereby reducing the number of days required to sell the crop and the cost of selling.

The levy made possible a readily available supply of tobacco, thereby assisting continuity of product and export promotion.

Through the levy plan bale grading at the Auction Exchanges appeared to be more in keeping with grade standards.

By having included in the Tobacco Growers' Marketing Plan the authority to levy plus a Government Bank Guarantee and the co-operation of reliable leaf

^{1/} This is shown by yearly average prices since 1957 listed in APPENDIX A.

^{2/} At the beginning of 1963 this was changed once again; tobacco is offered for sale only once and if 'no-sale' occurs, then it is bought by the Local Board.

packers, tobacco marketing was believed to proceed with more confidence and less anxiety for the producers.

FARM HANDLING OF ONTARIO FLUE-CURED TOBACCO

Sorting and Packing

As soon as the tobacco is cured, it is removed from the kiln and is stacked. The tobacco from each kiln is placed in separate piles in the barn on the farm. The tobacco remains stacked until the grower starts stripping.

Stripping includes all operations whereby the grower prepares his crop for auctioning. The length of the stripping season varies among farmers. Some farmers take as little as four weeks to strip their crop whereas others take as long as four months. In any case, all of the tobacco has to be stripped by the end of the auctioning season which is usually the end of April.

The stripping of tobacco during the fall and winter months is performed in a special room located in the pack-barn. The stripping area contains one room where the tobacco can be "steamed". This makes the tobacco soft and workable. Another room is used in the actual preparation and "grading" of tobacco by the grower.

The grower "grades" his crop according to physical characteristics. As far as the grower is concerned, there are usually seven categories into which the tobacco in any one kiln can be graded. These are:

- (a) bright
- (b) dark
- (c) double dark
- (d) bright green
- (e) dark green
- (f) bright red
- (g) dark red

Some growers have more categories and others have less. Usually, however, buyers pay the top grade price for uniformly "graded" tobacco.

The tobacco of the various 'grades' is packed into bales of approximately 50-60 lbs. These bales are again piled into the barn. Whenever the grower has stripped about 1/5 of his crop he applies for permission for a shipment to the auction warehouse.

Applying for Shipment

Before the selling season opens each producer receives four differently coloured cards from the Local Board. Each coloured card represents an application for a shipment of tobacco to the auction exchange; for example, a white coloured card may represent an application for the first shipment, a red card for a second shipment, a blue card for a third shipment and a yellow card for the final shipment. (Form 12 in APPENDIX H represents such a card). The cards for the various shipments are coloured simply to facilitate matters for the Local Board. With the cards being coloured the employees of the Local Board



Fig. 3. Tobacco is taken out of the kiln and piled on the wagon en route to the pack-barn. This is a standard kiln and holds 1250 sticks of Tobacco.

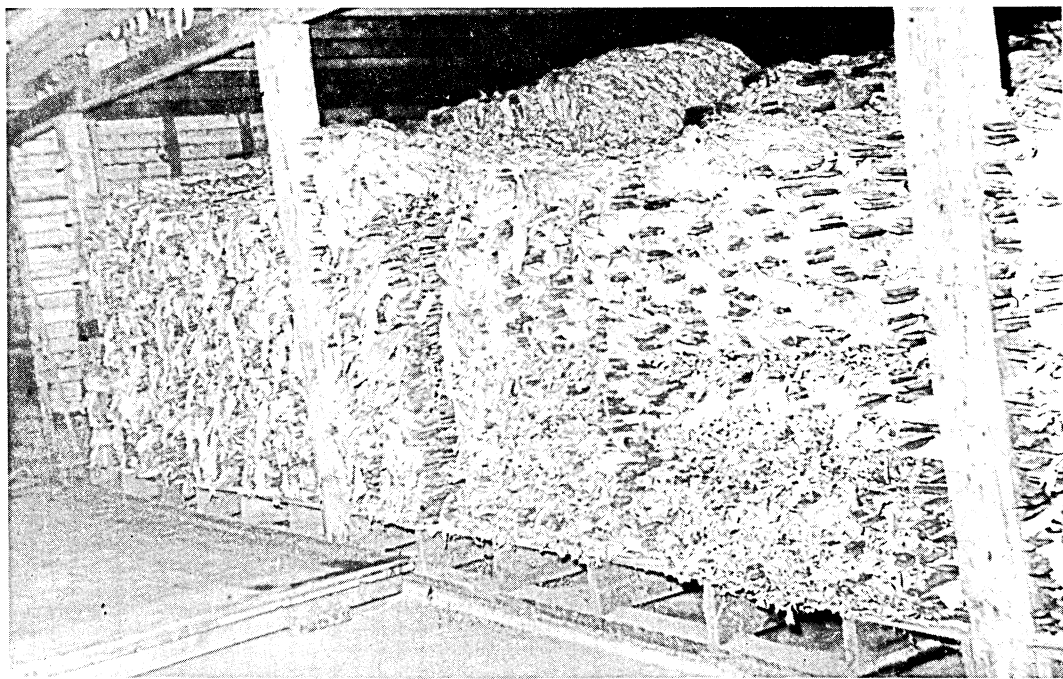


Fig. 4. Tobacco remains in the pile form in pack-barns until stripping time. The tobacco is stripped according to kilns.



Fig. 5. Sticks of tobacco are hung into the steam room and are steamed until tobacco becomes workable.

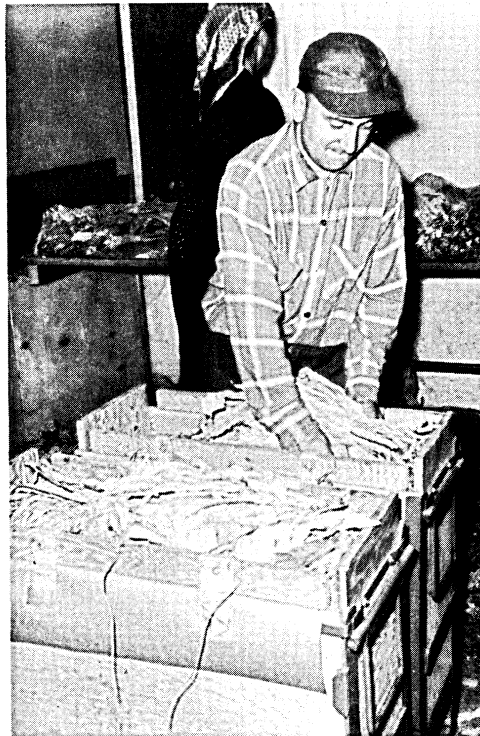


Fig. 6. Tobacco is baled in baling boxes producing bales approximately 30 long, 14 deep, and 12 wide, having an average weight of approximately 55 pounds.

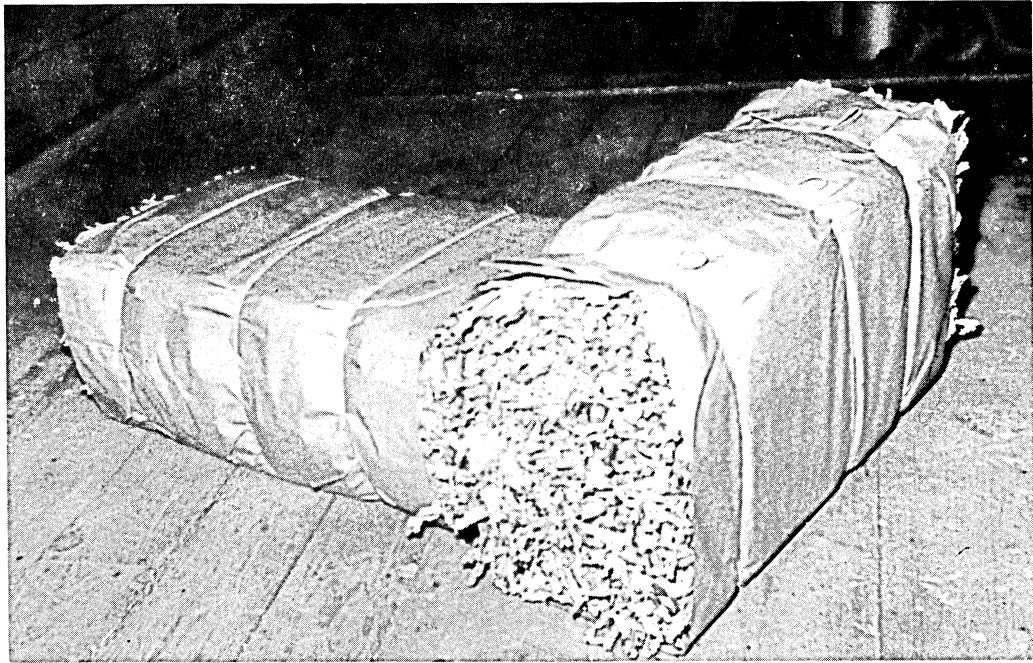


Fig. 7. Finished bales.

can quite readily pick out applications for first, second, third, and fourth shipments, and always give priority to producers with the least number of shipments. This method of ordering tobacco spreads every producer's shipments equally over the entire selling period, thus putting all producers on an equal footing in making deliveries.

The individual producer can make less than four shipments, but not more than four. They usually choose to make four shipments. On the first application card, the producer is allowed to ship up to 25 per cent of his total estimated weight, on the second card he is allowed to ship up to 50 per cent of his estimated weight, on the third card he is allowed to ship up to 75 per cent of estimated weight, and on the fourth card he is allowed the remainder. As soon as the producer has sent in one of his application cards to the Local Board, and provided the application card is not ahead of the market, a stripping supervisor is sent out to count the bales and make sure that the producer does not exceed his shipping quota. The date of shipment is then arranged.

If, however, a producer decides to make only 3 shipments, then he does not send in the first application card, but instead starts with the second application card, and delivers his tobacco in 3 equal shipments based on his total estimated weight. A similar procedure is followed for producers making 2 or even 1 shipment. Again stripping supervisors check and make sure the shipping quotas are not exceeded.

Trucking Tobacco to Market.

The Role of Truckers in Marketing Tobacco

The truckers play a very important role in the marketing of tobacco; they take almost 100 per cent of all the tobacco from the farms to the Auction Exchanges, and also from the Auction Exchanges to the buyers' processing plants. The importance of truckers in the marketing of tobacco stems from the custom of ordering tobacco into the Auction Exchanges by quarter-crop allotments^{1/}. This of course means that the average shipment of one producer is between 6 to 8 tons at one time^{2/}. If the farmer attempted to take this volume of tobacco to the Exchange by himself on his small truck^{3/}, this would necessitate a number of trips to the Exchange, and also a great deal of waiting in line at the Exchange. This would be more expensive than hiring a trucker.

Since the truckers are usually local, they have their regular customers usually in "their" district. When a producer has made arrangements for a shipment of tobacco to the Exchange, he then notifies his trucker to confirm the date of delivery. The trucker receives a certain fee per ton of tobacco; this fee ranges from \$3.50 to \$8.00 per ton, depending on the distance between the producer and Auction Exchange. For this fee the trucker is obliged to load the truck, take it to the Auction Exchange and unload it when his turn comes up.

^{1/} Under the old barn buying system the buying companies also ordered tobacco into their plants by quarter-crop allotments.

^{2/} The average tobacco farm has 25 to 35 acres; the average yield per acre is 1600 lbs.

^{3/} A great many tobacco farmers have their own trucks, usually 1/2 ton pick-up trucks.

The Truckers' Reaction

At the receiving gates the truckers have no help from warehouse employees when unloading bales from the truck onto receiving conveyers. Sometimes the producers help, but more often the truckers have to do it themselves. Yet these same truckers, who also take tobacco from the warehouse to the buyers' processing plants, have their trucks loaded for them at the shipping gate by warehouse employees.

The truckers feel that they should at least have some help from warehouse employees, unloading tobacco at the receiving gates.

The truckers feel that a new system for ordering tobacco into Exchanges should be adopted. Under the present system the truckers have to wait in line for unloading from 6 up to 48 hours; during this period the trucker must be available or have somebody available at all times. Whenever a truck is ready for unloading, warehouse officials notify the truckers by 'phone. Furthermore, under the present system of ordering tobacco, the Local Marketing Board uses the trucks as an additional warehouse for assuring a sufficient supply of tobacco at the Exchange at all times; this is done at the expense of the truckers. Because of this practice the truckers, since the new marketing system came into existence, had to acquire additional expensive trailers which are not used efficiently for the rest of the year.

The truckers feel that tobacco should be ordered to the Exchange on an hourly basis. A change of this kind would allow truckers to reduce their own over-head, and make very efficient use of their equipment.

Most truckers are not satisfied with the manner in which they are paid by the producers for their services; the truckers receive their fees at the end of the selling season when the producers have shipped and sold the last of their crop. The truckers would like to be paid as they are being paid by the tobacco buying companies, co-operatives and other businesses, and that is shortly after they have completed one service or delivery.

The truckers feel that the Local Board should deduct the shipping fee from every check made out to the producers, and the truckers should receive this fee directly from the Local Board, shortly after having made one delivery.

OPERATION OF AUCTION EXCHANGE

Receiving and Grading

The tobacco arrives at the Exchange by truck where it is received and graded according to the Government Standard of Grades for Tobacco. In each receiving line are two Board graders who put the grade on the tobacco as it is received into the Auction Exchange. This grade is then approved by a Government Inspector. If the Inspector has a question concerning the grade of a particular pallet^{1/}, then the inspector and the board grader, together, re-examine the pallet

^{1/} The terms "pallet" or "flat" will be used interchangeably. A 'pallet' or 'flat' of tobacco refers to a number of bales of tobacco of the same grade and belonging to one producer; these bales are arranged on a flat constructed of wood. The size of the pallets varies, but the maximum number of bales in a pallet is 24. These pallets can be handled easily by lift of fork trucks.

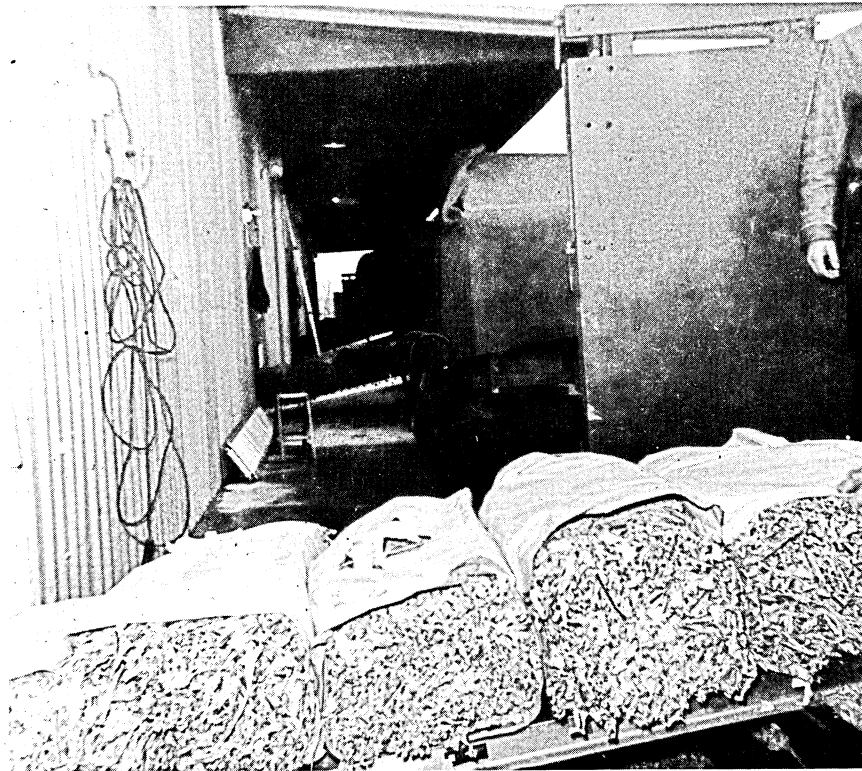


Fig. 8. Tobacco bales are unloaded from the trucks onto conveyors at the receiving gates.



Fig. 9. As the tobacco bales come through the receiving gates and move along the conveyor, the following operations, illustrated above, are performed:

- (a) The string on one end of each bale is removed so that the paper can partly be removed.
- (b) A handful of tobacco is pulled out and placed on top of the bale.
- (c) The graders establish the grade.
- (d) Grade tickets are fastened to the bale.
- (e) Code number of the unit is written on the back of each grade ticket.

and usually reach an agreement on a suitable grade. If for some reason agreement between the board grader and the Government Inspector cannot be reached, or if the producer is not satisfied with the resulting grade, then the Government Supervisor is called. His decision is final^{1/}.

Loading Pallets

Each grade is placed on an individual flat or pallet at one time. No mixing of grades on a pallet is allowed nor is tobacco grown by different farmers allowed to be placed simultaneously on one pallet. Each bale has a Government grade tag placed on it and the code number^{2/} of the unit is written on the back of each grade tag. This code number on the back of each grade tag corresponds with the code number on the weigh bill or weigh ticket. (APPENDIX D illustrates the grade tags, weigh bills, and the placing of code numbers).

Cataloguing

When a pallet is loaded (24 bale limit) it is inspected by the Government Inspector and then placed on the weight scales and weighed electrically. The number on the weigh bill, being the recognized code number, identifies that pallet of tobacco as belonging to the farmer who delivered it. From here it is placed on the display floor in one of the selling rows with the weigh bill still on the flat or pallet.

The weigh bills are then picked up from the flats in the order they were placed in the row in the display area and taken to the office where they are numbered as to the position in the row and the catalogue number on which they are being offered for sale. Once this is done the catalogues are made up on I.B.M. machines. These are done on a 'master ditto' which is then placed on the 'ditto' machine and sufficient copies are run off to give each buying company the number of catalogues it requires. This may be from two to six copies for each line, depending on the individual company's requirements.

Each buying company has a team of buyers at each Auction Exchange, at least two of whom appraise and inspect the tobacco on display on the auction floor. They also mark on the catalogues what flats to buy and what price to pay. Whenever the appraisers have completed the 'cataloguing' of one row, they hand

^{1/} Until 1963, supervision of grading in the Auction Exchanges was carried out by the Canada Department of Agriculture at Ottawa. However, under the new arrangement adopted during the 1962-63 marketing season, grading is carried out under the supervision of the Ontario Inspection Service. The Ontario Flue-Cured Tobacco Growers' Marketing Board will continue to employ and pay 60 graders (2 for each line for two shifts). However, they will be responsible only to the Ontario Inspection Service. In addition to the 60 graders employed by the Local Board, the Ontario Department of Agriculture appoints and pays six grading supervisors and eighteen grading inspectors.

^{2/} Code numbers are used because selling is anonymous, and the producer is not allowed to put any mark on his bales.



Fig. 10. Bale-swingers arrange bales on flats.

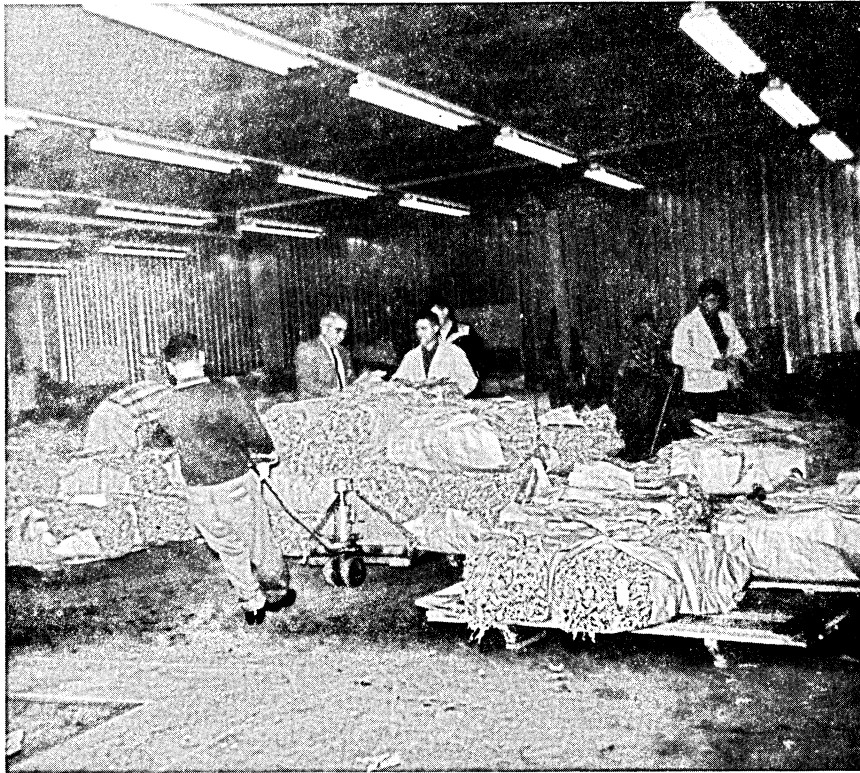


Fig. 11. Pallets are taken by hand truck to the scales.



Fig. 12. Tobacco is weighed electrically.

the completed catalogues to two other members of the team who sit in the auction room and do the actual buying according to the information on the catalogues^{1/}.

The catalogue contains the following information:

- (a) Position of item in the row
- (b) Code number
- (c) Grade
- (d) Number of bales
- (e) Weight

The Dutch Clock and its Operation

The Dutch Clock is housed in the auction room. The resting or starting position of the clock arm is at '10' on the dial (fig. 15). When the clock is in operation, the arm moves in a counter-clockwise direction. The numbers from 10-1 on the circumference of the dial represent cents.

The disks in section B contain numbers associated with the button at each buying company's desk; at the beginning of each marketing season every company is assigned to a certain desk, therefore when the clock is stopped by a buyer, his assigned number lights up in one of the disks in section B.

In the rectangle A on the dial, the following numbers light up, one at a time, and in the order they are listed, whenever the clock is in operation; 90, 80, 70, 60, 50, 40, 30, 20, 10, 00. The clock can be started with any one of the listed numbers showing in the rectangle A. Whenever the clock arm has completed one complete counter-clockwise turn, and begins a second sweep, the number in the rectangle A is reduced by 10. For example, if the clock is started at 80 cents, the arm points at 10 and 70 shows up in rectangle A. It would then take 7 complete counter-clockwise turns of the arm in order for 00 to light up in rectangle A.

Suppose a flat with a minimum grade price of 55 cents per pound is offered for sale. Then the clock is started at a high of 70¢, i.e. the clock arm pointing at 10 and the number 60 showing in the rectangle A. The clock arm begins to move in a counter-clockwise direction and does not stop until a buyer pushes the button at his desk. Suppose a buyer presses the button after the arm has made one complete counter-clockwise turn and hits the 6-3/4 mark (point C on Fig. 15). At this point the buyer's bid can be read off the clock directly as 56-3/4¢ (the number 50 showing in the Rectangle A, and the arm pointing at 6-3/4).

The period of time required for the arm of the Dutch Clock to make a ten cent sweep, i.e. a complete counter-clockwise turn, varies from 7 to 13 seconds. The buyers become very dexterous in operating their buttons; they do not seem to experience any difficulty in hitting the quarter cent that they want even though the clock is going relatively fast.

In past years, the actual auction time, i.e. the running of the Dutch Clock varied between 3.5 and 4 hours per day. This indicates that the appraisers on the auction floor had sufficient time to inspect all the tobacco on display and to pick out their company's requirements.

^{1/} In Appendix D, Farms D-1 and D-2 represent samples of catalogues used by Board Officials and Buying Companies.



Fig. 13. Pallets are taken by lift truck to auction floor.



Fig. 14 Pallets are arranged in rows on the auction floor.

FIG. 15: THE AUCTION CLOCK

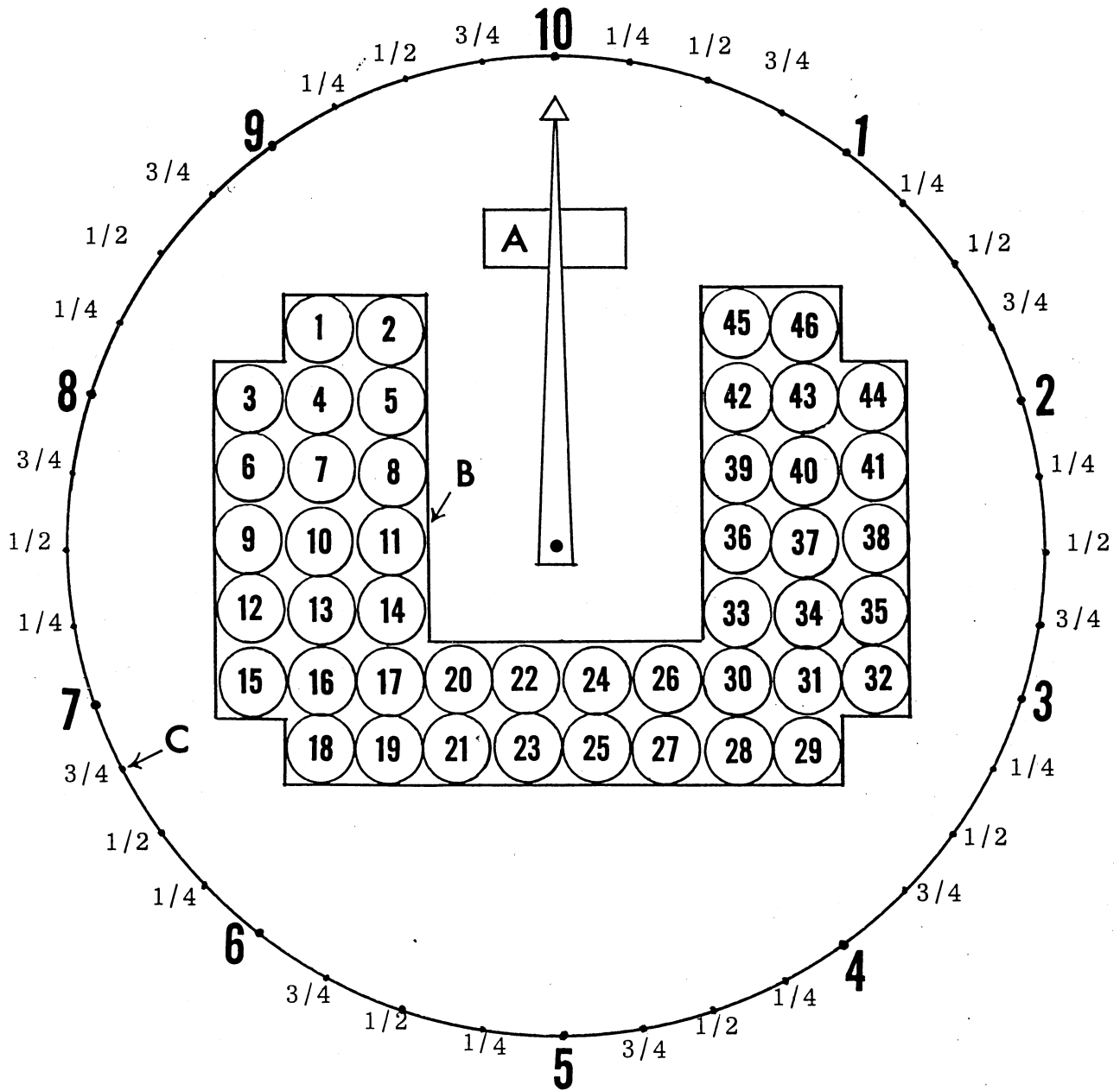




Fig. 16. Buyers seated in the Auction Room.

The tobacco on the auction floor is sold by lines. At times there are up to 16 lines of flats on the auction floor. Board officials notify buyers well in advance what rows will be sold at a specific time. Appraisers must make sure that their catalogues for the specified lines are completed, and in the hands of their respective buyers when the auctioning commences.

In the auction room, each buying company has two buyers; one who does the actual buying according to the information on the catalogue, and the other who keeps records of the purchases made for his company. The Tobacco Marketing Board has two officials seated at the front desk; one who operates the clock, and the other who keeps records of all sales and 'no-sales' as the case may be.

Billing

After the tobacco has been offered and sold on the Dutch Clock system, the buyer's number and price paid is written on each weigh bill. The weigh bills are then taken and placed back on the corresponding pallets and the farmer has a chance to accept or reject the price offered for tobacco on his pallet. He has approximately 10 to 15 minutes to make his decision. After he has decided, the weigh bills are taken from the pallets and returned to the office where a punch card has been made for each individual item. Each weigh bill consists of six copies - one for the buyer, one for the farmer, two for the file of the Marketing Board and two for the shipping department for use when the tobacco is loaded on the buyer's truck for delivery to his factory or warehouse.

However, not all the tobacco on the auction floor is sold the first time it is offered for sale. If a lot is not sold the first time offered, it is bought automatically by the Local Board, which pays the producer the minimum grade price. This is made possible through the levy and the unlimited loan, guaranteed by the Provincial Government.

If the tobacco is sold, but the farmer is not satisfied with the price paid by the buyer, and rejects the sale, then he is obliged to take it home and bring it back with his next shipment.

After each day's sales, the punch cards which have been kept together in sequence by number and catalogue are forwarded to the main accounting office where they are counted, processed and filed. On the information from these punch cards, the farmer is sent an itemized statement and cheque for the tobacco he offered and sold that day.

Obligation of Buyers

Once a licenced buyer has purchased the tobacco, then it is his responsibility to remove it on the same day from the Auction Exchange so that there is no stockpiling of sold tobacco.

The buyer must pay for the tobacco which he bought within 48 hours.

Adjustments

The need for adjustment of weight between the two parties has arisen very seldom since the Auction Selling came into use. However, when adjustments have

had to be made agreements have been reached quite readily. Some of the reasons for adjustment were as follows:

1. Tobacco had been damaged by condensation.
2. Moulded tobacco, not having been noticed in the receiving line, had been noticed on the auction floor or in the shipping area by the buyer.
3. The bale count in the processing plant did not correspond with the bale count at the Exchange.
4. Weight at the plant did not correspond with the weight at the Exchange.
5. Mechanical errors caused by employees such as replacing weight tickets incorrectly.

If the buyers notice any mistakes in the Exchange, adjustments are made on the spot. However, if the buyers do not find any cause for adjustment in the Exchange, the companies reserve the right to return or notify warehouse officials concerning any lot which did not meet grade specifications or standards. Having been notified, warehouse officials inspect the lot or lots and adjustments follow.

As far as weight is concerned, the companies allow an error of 10 pounds for a 2000 pound flat before they notify the Exchange.

In the Regulations relating to the Marketing of Tobacco at Tobacco Exchanges, the following provisions are made:

“Where nested or mouldy tobacco or any foreign matter is found in any bale of tobacco by a buyer, the buyer shall retain the bale in which such defective tobacco or foreign matter is found until the Local Board’s inspector has had an opportunity to examine the bale. Any tobacco found damaged from excess moisture will be marked with the letter ‘W’ and will be sold as such without recourse. In case any tobacco not so marked is found on receipt at the buyer’s premises to have a moisture content in excess of 22% according to standard testing procedures now recognized in the tobacco industry, a deduction in weight shall be allowed proportionately to the moisture content in excess of 22%.”

Evaluation of Dutch Clock System

In this section, the evaluation of the Dutch Clock System is considered mainly from the tobacco buyers’ point of view. Furthermore, to make the evaluation meaningful, constant reference is made to the Barn Buying System which preceded the Dutch Clock System.

A. The Dutch Clock Auction System

Advantages

1. All the companies like the fact that there are only 3 markets, and that they are located in the heart of the tobacco belt.
2. The Dutch Clock removes the human element, and therefore, the buying operation is fast, clear-cut, and very simple.

3. In the auction room, all buyers are treated equally. They operate under the same rules and regulations and all, regardless of size, have equal chances.
4. The smaller companies, particularly, like this system because they can buy the grades they want, whereas under the Barn Buying System they always obtained grades which they did not want, and usually had to get rid of these undesirable grades at a loss.
5. The smaller companies are pleased with the fact that they have enough time to look over the tobacco very carefully and pick out what they want.
6. The pressure on the buyers as well as on the producers is not as great as it was under the Barn Buying System.

Disadvantages

1. With the Dutch Clock System, the buyer always pays the highest price. He never actually knows how much he is over-bidding.
2. All companies are of the opinion that the present system adds to the cost of marketing in the following ways:
 - (a) The producers' marketing fees have increased from 0.1 cents to 1 cent per pound.
 - (b) Transportation costs have increased. Under the Barn Buying System, the tobacco was shipped directly from the farm to the processing plant. Under the present system, the tobacco is first shipped to the auction exchanges and from there to the processing plant. Also, transportation costs have increased because the 'no-sale' tobacco must also be shipped back and forth; under the old Barn Buying System, there was no 'no-sale' tobacco.
 - (c) Processing costs have increased due to a number of factors; processing plants quite often do not operate at top efficiency because the company does not have direct control over the flow of tobacco into its plants. The larger companies indicate from their studies that, under the present system, the marketing cost has increased by at least 2 cents per pound. Some of the smaller companies claim that the marketing cost has increased by as much as 4 cents per pound.
3. Capital investment for some processors has increased because added storage is required to allow stockpiling.^{1/}
4. Under the Barn Buying System, the companies sent out trained fieldmen during the stripping period, who instructed farmers on how to prepare the tobacco for their plants. Because of this practice, the company obtained better graded and cleaner (i.e. more uniform) tobacco than they do under the present system.

^{1/} Stockpiling cannot always be avoided. For example, on certain days very little tobacco of a certain grade, which a certain company may need in large quantities, may come into the exchange. Therefore, to operate its plant at top efficiency, the company has to buy enough tobacco of that particular grade whenever that grade is in sufficient quantity at the Auction Exchange in order to make allowance for days when the supply of that grade may be short.

5. Some of the companies claim that under the old system the producers had more pride in good workmanship. If the producer had to take some bales of tobacco back to the farm on account of poor handling on his part, the producer felt that he let the company down, or was embarrassed having his neighbour know he had tobacco returned because of poor handling or grading.
6. More men, especially key-men and specialized men are required by the company. Under the old system, many of the plant men were trained tobacco graders and buyers. They could grade the crops during the summer, buy them in the fall, and process them in the plant during the winter. Today, the companies must have graders and buyers in all exchanges at the same time the tobacco is being received, graded, and processed in the plants, thus necessitating considerably more specialized men.
7. Under the present marketing system, the processing season is of much longer duration than under the Barn Buying System.
8. The buyers also feel that the size of flats offered for sale are far too small for efficient operation. At the present time there appears on the auction floor a relatively large number of small flats, in particular flats with 3 bales or less. These small flats tend to slow down operations in the warehouses, since the equipment and facilities are designed to handle large flats. For example, a lift truck can carry a flat of 24 bales as easily as a flat of one bale. Similarly, the time involved in making one sale in the auction room is the same whether a flat of 1 bale or 24 bales is offered for sale. Table 3 shows the number and proportion of small flats in each line.

The buyers maintain that the number of small flats could be reduced substantially if the rules of the Marketing Board required the producer to ship his tobacco to the warehouses according to kilns, with the following information on each bale:

- (a) Kiln number
- (b) Pulling (i.e. 1st, 2nd, 3rd, 4th & 5th)
- (c) "Grade" (i.e. bright, dark, double dark, green, red, N.D.)

This system of ordering tobacco would be very helpful to graders in the receiving lines at the exchanges. For example, when the 15 bales "bright", of kiln number 8, were unloaded one right after the other, they would end up on one flat as one grade. Even though these 15 bales "bright" varied somewhat from one bale to the next, it would have been foolish for the grader to make these distinctions and sort them into several flats. These 15 bales "bright" of kiln number 8 would be as uniform as any grader in the receiving line could make them because these "bales" came from the same kiln, the tobacco was primed on the same day, came from the same field, was cured under the same conditions, and was sorted on the farm by the same people. Therefore, even if one of these 15 bales looked a bit different than the others, this would not warrant putting it into a separate grade. The only possible way that these 15 bales could have been made more uniform would have been in the producer's stripping room at the time it was prepared for marketing.

Table 3: Flats Analyzed According to Size

	Visits									
	1		2		3		4		5	
	Lines 1	2	Lines 1	2	Lines 1	2	Lines 1	2	Lines 1	2
Total number of flats in each line	59	76	54	61	66	70	30	35	46	43
Number of flats with 1 bale	19	29	11	12	18	29	12	2	3	5
Number of flats with 2 bales in each line	7	8	9	13	12	8	2	4	12	6
Number of flats with 3 bales in each line	1	6	5	6	5	9	2	3	5	2
Number of flats with 3 bales or less in each line	27	43	25	31	35	46	16	9	20	13
Number of flats with 3 bales or less in each line expressed as a percentage of total number of flats in that line.	46	57	46	51	53	66	53	26	43	30

B. Grading

The local board has 86 grades on which it has established minimum grade prices. In addition, it has N.D. grades and factors. All the buyers agree that the actual grading requires many years of experience, and even then it is a matter of the grader's judgment at the time he looks at a particular lot of tobacco. There is a very distinct possibility that a grader will grade the same bale or lot in a different grade on two different days. However, tobacco comes in many different types within a grade. Even an inexperienced person, can walk through the auction warehouse and notice a remarkable difference between flats or pallets marked as the same grade. Yet, according to grade classifications listed in the regulations respecting flue-cured tobacco, they all fit in the same grade. However, a buyer recognizes differences and finds one type fits his requirements while another one does not, even though they are in the same grade. A case in point is the appearance on the floor of tobacco from other than standard seed varieties that produces thin, slick, whitish tobacco with a low resistance to shattering. Although the grade description may warrant putting it, say, in "CL5", it is in reality different tobacco. When grade "CL5" carries a minimum price, it is quite possible that no company will feel it is worth that price and the result is "no sale."

It is obvious to buyers and processors that the grading does vary from time to time. If tobacco of good quality is being received, the grading is fairly satisfactory. However, when tobacco which is poorer, or off-type, or of a different variety, appears and constitutes a large percentage of the total offering, there is usually more overgraded tobacco on the floor. Grading also varies from time to time because graders, whether deliberately or not, grade according to the pulse of the market. If, on a particular day, say, "BF3" sells very well, then

the graders push as much tobacco into this grade as they possibly can. This, of course, is responsible for a great number of grades on a pallet which is supposedly one grade. Buyers have quite often found 'B', 'C', and 'X' tobacco on the same pallet.

Another reason for non-uniform grading is that there are too many graders and as a result too many opinions on grades. If, for example, all five receiving lines are open, each grader on each line has a somewhat different conception of every grade. Therefore, what one grader puts in, say, BL4, another grader might put in, say, BF4. The buyer, however, notices the difference of grades on the floor and only bids on the grades which approach his requirements most closely. For the grades the buyer has picked, he is usually willing to pay a few cents above the minimum grade price because competition forces him. Yet for the remainder of the grades, even though they might be identical to the grades he bought, the buyer does not bid. This again contributes to no-sale tobacco.

The grading at times is not effective because there is too great a spread between some grades.^{1/} For example, in the grades CL5 and CL6, one particular lot of tobacco might just have missed being placed in CL5 and instead is placed in CL6; therefore, the buyers are competing very strongly for this grade, whereas, a pallet which is a very low CL5 and should have been placed in CL6, is not even considered by the buyers. To the producer and spectators, this looks as if collusion and other unfair practices are used by the buyers. But, if the tobacco is examined very closely, one can see that there is at times a very big difference between, say, two pallets of CL5.

Some companies feel that the graders are not making enough use of the factor grades. This again contributes to 'no-sale' tobacco. For example, in the case of hailed tobacco, the graders use the factor "H" (or any other factor) only if the tobacco has been damaged to a considerable extent. The buyers feel that, regardless of how slightly the tobacco has been damaged by hail or frost, it is worth less than non-damaged tobacco. Consequently, the buyers are not willing to pay the minimum grade price and 'no-sale' results. However, if the factors were used, competition would see to it that the price paid for this tobacco would approach the minimum grade price.

C. Pricing

Minimum grade prices are established by the Local Board at arbitration, and according to many buyers these prices may have little or no relation to the actual value of these grades to the processors. This might be the case for a number of reasons.

1. On certain days a company might be on the market for a certain grade for blending purposes, therefore the company has to obtain these grades and consequently has to outbid its competitors. As soon as the company has filled its quotas, however, it drops out and the prices may drop again.
2. Various grades might have been short on the world market, therefore the foreign manufacturers place orders with the Canadian processors for these

^{1/} On November 1, 1962, when prices were arbitrated, 15 new grades were added; this would tend to close the gap between some grades.

grades and again competition for these grades may be very keen. The reverse also might take place and as a result minimum prices on certain grades do not attract buyers.

3. On the domestic market the minimum grade prices may not have any relation to the actual value either. For example, owing to weather conditions there might be a great deal of "C" tobacco, as was the case in 1961. Automatically the price is pressed down. On the other hand, an early frost may bring about a scarcity of tips, consequently prices paid exceed the minimum grade prices.
4. Sixty-one of the grades have minimum prices. Therefore, if demand for one of these grades is limited, the company will only buy its minimum requirements at the minimum grade price and once it has obtained this, then it will stop buying, and as a result 'no-sale' goes up. However, if the minimum price for these grades were somewhat lower, then more would be bought because the companies could dispose of it more easily in the processed form.

If there is a great deal of no-sale tobacco, then, of course, the selling season is prolonged. This can have very serious effects, especially if the selling season overlaps the Rhodesian selling season which starts in March. Some companies claim that toward the end of the 1961-62 selling season they were cut off short by their customers because the latter turned to the Rhodesian Market.

A large percentage of flats has been sold for as much as 20 cents per pound above the minimum grade price, established by the Local Board, over the past years. Grade BF6 has sold from its minimum of 35-1/2 to as high as 57 cents. On the other hand, some BF6 has even gone 'no-sale'. To anyone who closely examines the tobacco on the floor, the difference between what sells and what does not sell is obvious. The buyers feel that those in charge of grading and pricing should attempt to analyze the 'no-sale' situation from these points of view and take corrective measures rather than automatically blame the buyers.

MARKETING ANALYSIS

Price Variation

In the Ontario auction markets, price variations do exist. Not only do prices vary among the three auction markets, but also within each exchange. First, some types of price variations will be illustrated in graphical as well as tabular fashion, and then analyzed statistically in order to determine the level of significance.

Price Variation Within An Auction Market

Within an Auction Exchange, price variations exist on three levels:

1. Price variations that occur within the same row, i.e. flats of tobacco of a certain grade in a certain row on the auction floor might sell for different prices even though they are offered for sale at practically the same time,

2. Price variations that occur within the same day, i.e. flats of tobacco having the same grade might sell for different prices throughout the day, and
3. Price variations that occur from day to day, i.e. flats of tobacco having the same grade might sell for different prices from day to day throughout the entire market season.

Price Variation Within Rows

As was already mentioned, the tobacco in the Exchanges is sold by lines or rows, since the flats of tobacco are arranged in lines on the auction floor. Even though all the tobacco within a line is offered for sale within approximately ten minutes, price variations among flats labelled as the same grades occur. Table 3 illustrates the extent of this type of price variation which can be observed within each of the three auction markets.

Price Variation Within The Same Day

Since a day's sale consists of many lines (as many as 30 lines are sold daily in each auction exchange) it follows that the within-day price variation is an extension of the same pattern as the within row price variation which is illustrated in Table 4.

Day-To-Day Price Variation

To illustrate the extent of the day-to-day price variation within each exchange, the average price per grade per day is plotted against time. Fig. 17 illustrates this type of price variation.

Statistical Analysis of Prices Paid In The Three Markets

The purpose of this analysis is as follows:

- (a) to determine whether there is a significant difference in the actual prices paid for the various grades from one day to the next,
- (b) to determine whether the level of average prices for the same grade is different in the three markets,
- (c) to determine the relationship between price changes for the same grades in different markets, and
- (d) to determine the relationship between price changes for different grades in the same market.

Day-to-Day Variability

The day-to-day variability of prices paid for the grades BL5, CF5, and XL5, was examined in the Delhi market for the 1962 crop only. In order to determine this variability for the three grades, 12 days were chosen at random, and from the catalogues corresponding to these 12 days, 5 lot prices were picked, again at random, for each of the three grades. An analysis of variance was carried out to determine if the day-to-day variability in price was significant for different grades in the same market. Five per cent level of significance of "F" was used:^{1/}

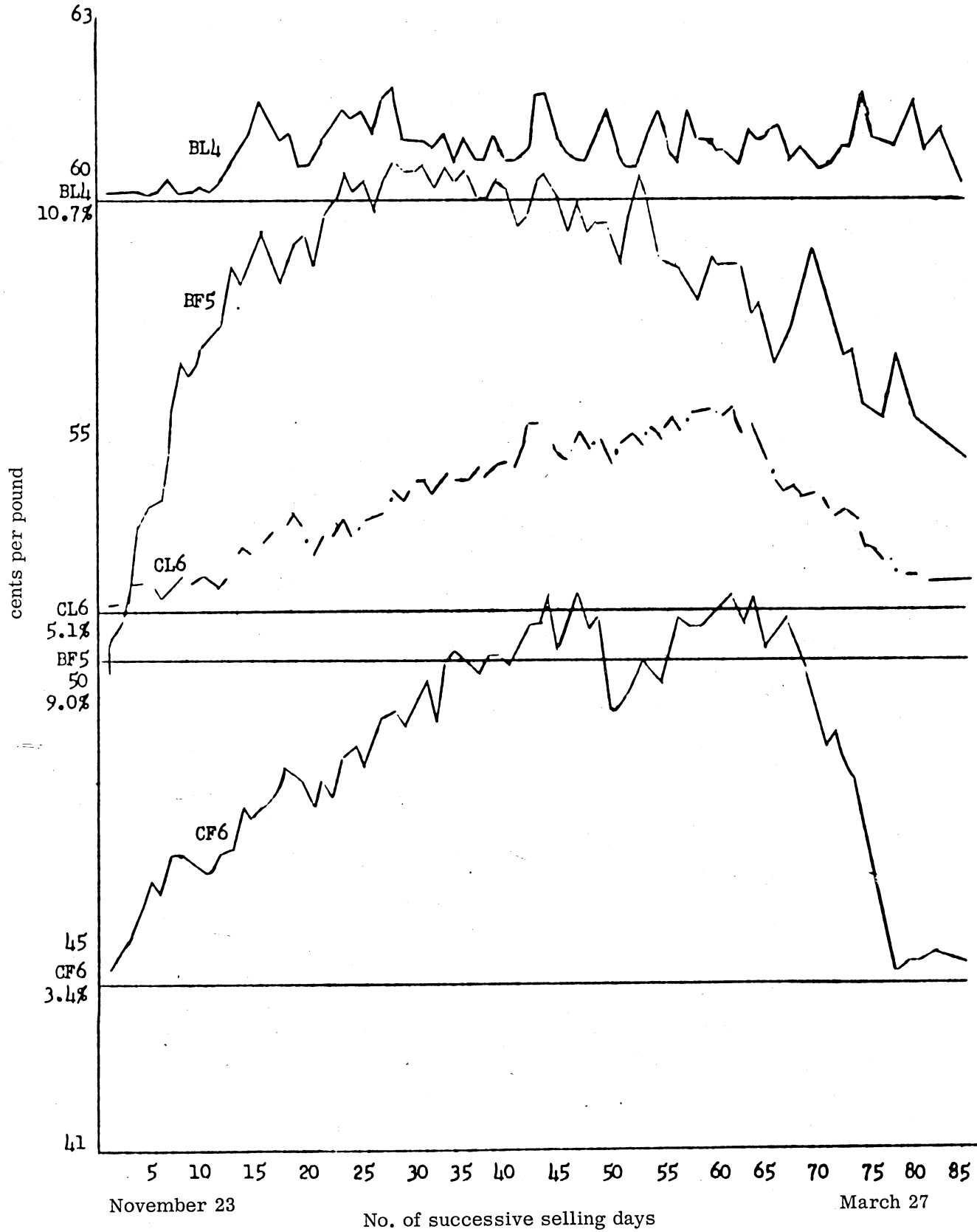
^{1/} Tables 1, 2, and 3, in Appendix G, contain the results of the analysis of variance.

Table 4

Price Variation Within Rows

Grades	Awarded Minimum Grade Price	Per Cent of Whole Crop	Catalogues						
			1	2	3	4	5	6	
			Price paid per flat	Price paid per flat	Price paid per flat	Price paid per flat	Price paid per flat	Price paid per flat	
CF5	54.25	6.84	:56-1/4:55-1/2:54-1/4:57	:54-1/2:56-3/4:55	:54-1/2:54-1/2:55	:56	:56-1/4:55-1/2:54-1/4:57	:55-1/2:55	:55-1/4:57
BF5	54.50	5.76	:57-1/4:57	:57-1/4:57	:59-1/4:57	56	:57-1/2:57-3/4:57	:57	:57-1/2:57
CL5	57.00	5.71	:57-1/2:57-3/4:57	:57-1/4:57	:57	57	:62-1/4:59-1/4:59-1/4:59	:59-1/4:59	:59-1/2
BF4	59.00	5.42	:59-1/4:59-1/4:59	:61	:59	60	:59-3/4:59-1/4:59	:59	:59-1/2:59
BL4	59.00	5.07	:59-1/4:59	:59-1/4:60	:59	60	:57-1/4:56-1/2:57	:56-1/2:56-1/2:56-1/4:56-1/4	
BL5	56.25	3.63	:56-1/4:57	:57-1/4:56-1/2:57	:57-1/4:56-1/2:57	62	:60-1/2:61	:60-1/4:60-1/2:61	
CL4	60.25	3.29	:62	:61-1/2:60-1/4:61	:62	60	:52-3/4:52	:51-3/4:51-3/4:52	
CL6	51.75	2.88	:52-3/4:52	:52	:52-1/2:52	52			
CF5	54.25	6.84	:54-1/2:54-3/4:55	:55	:55-1/4:54-3/4:55	54	:54-1/2:54-3/4:55	:55-1/2:55	:55-1/4
BF5	54.50	5.76	:54-1/2:55-1/2:55	:54-1/2:55-1/2:55-3/4:55	:55-1/2:55-3/4:55	56	:57	:57	:57-1/2:57
CL5	57.00	5.71	:57	:57	:57	58	:60-1/2:60	:59-1/4:60	:59-1/2:60
BF4	59.00	5.42	:59	:59	:60	60	:59	:59	:59
BL4	59.00	5.07	:59-1/2:59	:60	:59-1/4:60	59	:56-1/2:56-1/2:56-3/4:56-1/2:57	:56-3/4:56-3/4:57	:56-1/2
BL5	56.25	3.63	:56-1/2:56-1/2:56-1/2:56-1/4:60-1/4:61	:61	:61	61	:61-1/2:60-1/4:60-1/4:61	:60-1/4:60-1/4:61	:61
CL4	60.25	3.29	:60-1/4:60-1/4:61	:61	:61	62	:51-3/4:52	:52-1/4:52	:52
CL6	51.75	2.88	:51-3/4:52	:52	:52-1/4:52	52			

Fig. 17: Day to day average price variation of grades BL4, CL6, BF5, and CF6 of the three markets from November 23 to March 27.



- (a) for the grade BL5 the "F" value was insignificant,
- (b) for the grade CF5 the "F" value was insignificant, and
- (c) for the grade XL5 the "F" value was significant.

From the above results, it was concluded that the day-to-day variability in price is different for different grades in the same market. This reflects further that some grades include a wider range in quality than others.

Variability of Average Prices for the Same Grades in the Three Exchanges

The relationship between daily average prices for the same grades in the three markets was examined for both the 1961 and 1962 crop. For the 1961 crop, the daily average prices were recorded for 32 successive days, whereas, for the 1962 crop, the daily average prices were recorded for the entire marketing season. The grades for which the daily average prices were analyzed were CF6, BL5, BF4, for the 1961 crop, and BL4, CL5, XL4 for the 1962 crop. The correlation of daily average price changes between pairs of markets was found to be as follows:

(a) for the 1961 crop

- 1. grade CF6 in the Delhi and Tillsonburg market
 $r^2 = .76$ (significant)
- 2. BL5 in Aylmer and Tillsonburg market
 $r^2 = .00000051$ (insignificant)
- 3. BF4 in Delhi and Aylmer market
 $r^2 = .11$ (insignificant)
- 4. BF5 in Delhi and Aylmer market
 $r^2 = .03$ (insignificant)

(b) for the 1962 crop

- 1. BL4 in Delhi and Tillsonburg market
 $r^2 = .72$ (significant)
- 2. BL4 in Tillsonburg and Aylmer market
 $r^2 = .86$ (significant)
- 3. BL4 in Tillsonburg and Aylmer market
 $r^2 = .74$ (significant)
- 4. CL5 in Delhi and Tillsonburg market
 $r^2 = .75$ (significant)
- 5. CL5 in Delhi and Aylmer market
 $r^2 = .61$ (significant)
- 6. CL5 in Tillsonburg and Aylmer market
 $r^2 = .73$ (significant)

7. XL4 in Delhi and Tillsonburg market
 $r^2 = .61$ (significant)
8. XL4 in Delhi and Aylmer market
 $r^2 = .57$ (significant)
9. XL4 in Tillsonburg and Aylmer market
 $r^2 = .82$ (significant)

From the above results, the following conclusions can be drawn:

(a) For the 1961 crop, the r^2 values were significant for some grades and highly insignificant for others. This indicates that the level of average prices for some grades is different in each of the three markets, while for other grades there seems to have been no difference in the daily average price in the three markets. This was most likely due to the fact that the grading was not uniform in the three markets, i.e. in one market one grade might have included a wider range of quality than the same grade in another market.

(b) For the 1962 crops, the r^2 values were significant for all grades and for every combination of markets. This indicates that there was no significant difference in daily average price changes for a particular grade in the three markets. This was probably due to the fact that the grading of tobacco in the three auction exchanges became more consistent as compared to the previous marketing season. This consistency in grading was probably brought about because the supervision of grading under the Ontario Inspection Service was superior to that under the Canadian Department of Agriculture which was in charge until the completion of the 1961-62 marketing season.

Relationship of Price Changes for Different Grades in the Same Market

The relationship of price changes for different grades in the same market was also examined for the 1961 and 1962 tobacco crop. The correlation between daily average price changes for 2 grades in one market can be listed as follows:

(a) For the 1961 crop

1. BF4 and BL5 in the Aylmer market
 $r^2 = .50$ (significant)
2. BF5 and CF6 in the Delhi market
 $r^2 = .21$ (insignificant)
3. BF4 and BL5 in the Tillsonburg market
 $r^2 = .61$ (significant)

(b) For the 1962 crop

1. BL4 and CL5 in the Delhi market
 $r^2 = .21$ (insignificant)

2. BL4 and XL4 in the Delhi market
 $r^2 = .29$ (insignificant)
3. CL5 and XL4 in the Delhi market
 $r^2 = .28$ (insignificant)
4. BL4 and CL5 in the Tillsonburg market
 $r^2 = .27$ (insignificant)
5. BL4 and XL4 in the Tillsonburg market
 $r^2 = .45$ (insignificant)
6. CL5 and XL4 in the Tillsonburg market
 $r^2 = .75$ (significant)
7. BL4 and CL5 in the Aylmer market
 $r^2 = .28$ (insignificant)
8. BL4 and XL4 in the Aylmer market
 $r^2 = .64$ (significant)
9. CL5 and XL4 in the Aylmer market
 $r^2 = .22$ (insignificant)

From the above r^2 values, it follows that there is a correlation between price changes in the same market for different grades, but the correlation in most cases is relatively low. In other words, the low r^2 values indicate that, if the price of one grade goes up for various reasons, the price of a different grade in the same market does not necessarily go up as well. Three possible reasons for this are:

(a) The buyer's demand for certain grade changes from day to day, i.e. on a particular day a buying company may desire a certain grade more than another grade. The reason for this may be that an order, placed by a foreign buyer, has to be filled by a certain date, or a certain grade has to be purchased for blending purposes.

(b) The scheduling of tobacco into the Auction Exchanges, by the Marketing Board, may not be uniform, i.e. on any one day the supply of a certain grade may be quite large, while the supply of another grade is quite low. This low supply might bring about a higher price if the particular grade happens to be in demand for reasons given above.

(c) The grading may not be uniform from day to day, i.e. as far as buyers are concerned, on a particular day one grade may include a wider range of quality, than on another day. This will be reflected in the price changes.

Relationships of Price Changes for the Same Grade in the Three Markets

An analysis of variance was carried out for each of the grades BL4, CL5, and XL4 in the three markets for the 1962 crop and the "F" values were as follows: ^{1/}

^{1/} The analysis of variance tables are found in Appendix G, Tables 4, 5, and 6.

- (a) for BL4 in the three markets
F = 2.00 (insignificant)
- (b) for CL5 in the three markets
F = 5.8 (significant)
- (c) for XL4 in the three markets
F = 91.9 (significant)

The above results indicate that there is a significant difference in the daily average price changes for any one grade in the three markets. In other words if the price of a certain grade goes up or down by a certain percentage on a particular day in, say, the Delhi market, this does not mean that the price movement in the other two markets will be the same as in the Delhi market for that grade. This indicates that the three markets operate independently.

INCOME AND COST ANALYSIS

In this section of the study, a detailed analysis of income and expense, covering all phases of the operations conducted by the Tobacco Growers Marketing Board, is presented.^{1/}

Tables 5 to 12 are presented first, followed by notes on the starred items which might not be self-explanatory.

^{1/} The income and expense data was obtained from the records of the Ontario Flue-Cured Tobacco Growers' Marketing Board.

Table 5: Assets for the Three Auction Exchanges ^{1/}

	Delhi \$	Tillsonburg \$	1963 Aylmer \$	Head Office \$	1963 Total \$	1962 Total \$	1961 Total \$
Current Assets:							
Cash on Hand	50	50	50	75	225	300	85,976
Accounts Receivable				6,700	6,700	78,049	2,699
Accounts Receivable (employee bond)				2,996	2,996	2,255	1,940
Inventories - Cafeteria				523	523	649	579
- Process Tobacco				18,470,309	18,470,309	3,717,505	-
Prepaid Expenses							
Insurance				127,653	127,653	8,666	4,788
Postage				506	506	557	282
Taxes				30,613	30,613	25,037	-
Unemployment				68	68	398	458
Workmen's Compensation				1,353	1,353	800	-
Vacation Pay				121	121	209	1,744
Total Current Assets				18,640,920	18,641,070	3,834,425	98,466
Investments							
Mortgage Receivable - Co-op.				52,500	52,500	62,500	62,500
Fixed Assets (at cost)							
Land*	67,164	62,469	13,100		142,733	142,733	141,413
Buildings	515,315	509,664	525,240		1,550,220	1,550,220	1,540,675
Expansion Suspense	5,854	5,946	5,854	19,365	37,020	37,020	17,654
Railway Sidings, Roads & Parking Lots	14,519	27,879	23,833		71,232	70,343	21,893
Furniture & Equipment:							
- Auction Exchanges	48,831	53,851	52,691		155,374	153,668	138,867
- Auction Exchange Offices	8,515	8,828	8,039		25,382	22,944	31,958
- Cafeterias	10,355	10,547	10,315		31,217	31,129	31,109
- Auction Rooms				41,520	41,520	12,806	12,601
- Head Office				14,894	14,894	39,028	26,857
- Equipment Airport*				75,779	75,779		
Total Fixed Assets	670,553	679,184	639,072		2,088,636	2,059,892	1,963,028
TOTAL					20,869,385	5,956,817	2,123,995

^{1/} Where totals do not add, this is due to omissions of minor items or rounding.

Table 6: Liabilities ^{1/}

	1963			1961 Total \$
	Delhi	Tillsonburg	Aylmer	
	Head Office			1962 Total \$
	\$			
Current Liabilities				
Can. Imp. Bank of Commerce				
Process Advance Loan*		3,430,728	3,430,728	-
Process Special Loan		242,826	242,826	230,118
Employee Bond Loan		2,996	2,996	2,255
Tobacco Loan 1963**		11,490,422	11,490,422	2,480
Total		15,166,972	15,166,972	3,490,591
Accounts Payable and Accrued				
Wages Payable				9,578
Vacation Pay Accrued		17,464	17,647	17,200
Employees' Income Tax				8,872
Directors' Fees Accrued		1,890	1,890	2,595
Taxes Payable		52,479	52,479	42,920
Sundry Accounts Payable				4
Equipment Contracts Payable				297
Total Current Liabilities		15,303,716	15,303,716	3,572,057
Term Liabilities				
Levy 1963		3,108,413	3,108,413	
Surplus				
Balance, May 31, Previous year (Adjusted)			2,384,694	1,327,545
Add net revenue from operations - Table 7			138,645	761,776
TOTAL			20,869,385	2,123,995

^{1/} Where totals do not add, this is due to omissions of minor items or rounding.

Table 7: Statement of Operations ^{1/}

	Delhi \$	1963			Head Office \$	1963 Total \$	1962 Total \$	1961 Total \$
		Tillsonburg \$	Aylmer \$					
Revenue								
Marketing Fees - Direct	628,138	601,469	572,150	3,651	1,801,757	1,903,686	1,990,349	
- Other				3,651	3,631	14,691	-	
Total	628,138	601,468	572,150	3,651	1,805,388	1,918,377	1,990,349	
Cost of Operations								
Airport				27,240	27,240			
Field	38,206	36,901	34,805		109,913	90,719	88,215	
Auction Exchanges	365,025	345,105	345,175		1,055,307	1,111,177	825,093	
Offices	60,878	62,369	62,115	288,954	474,317	408,814	333,417	
Total	464,109	444,375	442,095	316,194	1,666,777	1,610,710	1,246,725	
Excess Exchange Revenue	164,027	157,093	130,054	- 312,563	138,611	307,667	743,624	
Other Income								
Scrap Tobacco*	6,837	3,262	8,244		18,344	21,349	17,609	
Co-op Tobacco**						89	-	
Interest				3,508	3,508	3,750	-	
Sundry			182	782	964	2,347	1,506	
Remeasuring***				2,650	2,650	3,525	-	
Rentals****	3,142	2,040	1,392	2,650	6,574	8,462	4,932	
Excess Cafeteria Income	9,979	5,302	9,818	6,920	32,040	3,893	1,841	
Total						43,416	25,888	
Other Expenditures								
Adjustments - Buyers	11,000	11,009	12,182	21	34,213	35,100	7,736	
- Other	1,041	720	1,430		3,192	528	-	
Net Revenues from Operations	161,967	150,666	126,262		138,645	315,455	761,776	

^{1/} Where totals do not add, this is due to omission of minor items or rounding.

Table 8: Net Sales and Cost per 1000 lbs.

	Delhi	1963		1963 Total	1962 Total	1961 Total
		Tillsonburg	Aylmer			
Sales - Regular (lbs.)	57,639,079	53,725,944	44,870,659	156,235,682	182,962,258	198,898,722
- Processed (lbs.)	5,146,981	6,389,865	12,309,900	23,846,746	7,176,001	-
Total (lbs.)	62,786,060	60,115,809	57,180,559	180,082,428	190,138,259	198,898,722
Cost per 1000 lbs.*				\$9.62	\$8.47	\$6.32

Table 10: Expenses & Costs Involved In Managing and Operating the Three Auction Exchanges
(Does not include costs and expenses of Auction Exchange Offices)

	Delhi \$	1963			1963 Total \$	1962 Total \$	1961 Total \$
		Tillsonburg \$	Aylmer \$				
Buildings							
Maintenance - wages	8,811	7,409	7,173	23,394	17,017	29,745	
- expenses	495	439	678	1,612	1,368	14,976	
- supplies	6,632	7,304	7,743	21,680	24,253	10,843	
Janitor & Watchmen - wages	13,515	11,851	10,549	35,916	36,734	6,745	
Heating	4,669	5,549	5,430	15,649	14,106	31,315	
Light, power & water	4,450	4,970	4,025	13,446	12,524	1,375	
Insurance	2,047	2,047	2,047	6,142	7,158		
Taxes	11,136	12,635	12,000	35,771	33,239		
Rental, Land, Sidings		174		174	174		
Equipment							
Maintenance - wages	531	531	531	1,593	1,879		
- expenses	79	79	79	238	327		
- supplies	1,373	1,319	1,543	4,236	14,819	4,415	
Insurance	200	200	200	600	701		
Rental	112	112	112	336	293		
Remuneration*							
Management - wages	14,180	14,180	13,834	42,194	41,941	36,406	
- expenses	2,487	1,253	2,248	5,989	5,466	2,344	
Graders (field graders)							
- wages	8,843	7,990	9,043	25,876	27,488	27,577	
- expenses	2,564	2,334	2,206	7,165	7,207	7,449	
Stripping							
- wages	11,713	11,211	9,093	32,018	40,149	26,297	
- expenses	8,804	5,776	8,351	22,932	34,056	21,478	
Graders (at exchanges)	39,518	40,138	40,139	119,796	126,540	96,170	
Receivers	100,606	90,712	96,522	287,842	279,763	188,170	
Weighers	11,890	9,653	10,640	32,184	33,762	23,686	
Warehousemen	402	381	471	1,255	17,443	33,975	
Shippers	62,540	57,583	57,687	177,811	169,701	123,544	
General expense	341	261	348	951	7		
Utilitymen	4,708	7,475	1,351	13,535	9,994		

CONTINUED

Table 10: Continued

Lift Trucks									
Maintenance - wages	1,573	1,574	4,722	1,574	4,571				
- expenses	158	157	475	157	506				
- supplies	2,507	1,841	6,362	1,841	4,077			8,766	
Wages	10,835	11,409	34,182	11,409	36,707			24,776	
Fuel	1,300	1,241	3,647	1,241	2,906			2,275	
Insurance	199	199	599	199	592			597	
Rental	915	915	2,745	915	22,549			21,211	
Supplies									
Paper	5,557	4,155	13,786	4,155	14,422			4,196	
Twine	696	1,620	4,271	1,620	2,557			2,510	
Tags	3,654	3,913	11,662	3,913	17,481			21,892	
Sundry	353	582	1,417	582	1,094			1,501	
Sundry									
Vacation Pay	4,734	4,449	13,677	4,449	14,825			5,360	
Workmen's Compensation	3,794	3,551	10,932	3,551	11,149			9,342	
Unemployment Insurance	3,808	3,519	10,910	3,519	10,997			7,619	
Pension Fund	1,651	1,166	3,567	1,166	1,867			1,952	
Health Insurance	540	675	1,892	675	1,271			219	
TOTAL	364,980	344,473	1,055,181	345,119	1,105,725			825,093	

Table 11: Expenses and Cost Involved in Field Operations

	Delhi \$	1963		Head Office \$	1963 Total \$	1962 Total \$	1961 Total \$
		Tillsonburg \$	Aylmer \$				
Acreage Measurement **							
- wages	11,389	12,458	11,684		35,531	32,781	35,803
- expenses	5,231	5,259	5,857		16,348	15,282	15,629
Remeasurement - wages	1,390	1,034	1,152		3,576	2,915	1,149
- expenses	731	381	430		1,543	1,539	588
Allotment* - wages					89	89	1,456
- expenses					88	88	804
Re-allotment - wages	150	606	299		1,055	614	505
- expenses	28	204	147		380	252	245
Spotchecking - wages	2,035	2,694	2,493		7,222	4,265	4,727
- expenses	1,379	1,124	1,363		3,867	2,329	3,468
MH 30 inspection***							
- wages	2,226	2,176	2,016		6,418	5,231	4,820
- expenses	1,811	1,021	1,816		5,250	4,588	5,073
"Cut down" measure							
- wages	6,922	5,930	4,288		17,141	11,516	9,422
- expenses	3,848	2,559	2,263		8,471	6,831	5,704
Sundry							
Vacation pay	447	827	406		1,312	861	825
Workmen's compensation	351	360	324		1,036	908	1,975
Unemployment Insurance	262	234	261		758	626	1,065
TOTAL	38,200	37,267	34,754		109,908	90,715	91,677

Table 12: Summary of Expenses for Operating the Three Auction Exchanges

	Delhi	1963		1963 Total	1962 Total	1961 Total
		Tillsonburg	Aylmer			
Number of operating days	102	102	102	102	128	88
Cost of Operations*	\$425,904	407,475	407,291	1,240,670	1,281,354	871,868
Cost per Day*	\$ 4,176	3,995	3,993	12,164	10,010	10,496
Cost per 1000 lbs. Sold*	\$ 6.78	6.78	7.12	6.89	6.74	4.38
Cost per 1000 lbs. Offered*	\$ 5.95	5.85	5.70	5.83	4.63	4.04
Total cost of 'No-sale' tobacco	\$ 82,849	93,005	151,264	328,579	399,993	67,912

Notes to Tables 5 to 12

Table 5 Assets for the three Auction Exchanges

*Land

When the land was purchased in 1957 for the construction of the Auction Exchanges, the Tobacco Marketing Board bought approximately 8 acres for each Auction Exchange. Of these 8 acres approximately 6 acres are actually used; 70,000 square feet are taken by each auction warehouse, and the remainder of the 6 acres is used for road development and parking facilities. Sufficient land was purchased at the three locations to permit expansion if and when this is necessary.

**Equipment Airport

The cost figure opposite the item "Equipment Airport" represents the cost for renting part of an airport hangar for storing the 1962 tobacco surplus.

Table 6 Liabilities

*Process Advance Loan

In 1962 the Tobacco Marketing Board obtained a Federal Government guaranteed loan of \$3,258,218.00 through the Agricultural Product Co-operative Act. With this loan the Tobacco Marketing Board purchased the 7,176,001 pounds of tobacco, which was not bought by the buying companies, at 80% of the minimum grade price.

**Tobacco Loan 1963

In 1963 a loan of \$11,490,422.00 in addition to the levy proceeds was used to buy "no-sale" tobacco. The producers of the "no-sale" tobacco were paid the minimum grade price. The loan was guaranteed by the Ontario Government.

Table 7 Statement of Operations

*Scrap Tobacco

Scrap tobacco in this case means the 'sweepings' in the Auction Exchanges. This scrap tobacco is sold by the Board and the income from this operation is used to make adjustments between warehouse and buyers, and warehouse and producers.

**Co-op Tobacco

In 1957 when the Local Marketing Board came into power it acquired a processing plant which was named the Ontario Flue-Cured Tobacco Co-operative Limited. The initial cost of the plant was \$240,000.00 and the members of the Local Board signed notes for this amount. In the same year shares were sold to producers and the mortgage held by the Local Tobacco Marketing Board was reduced to the present amount of \$62,500.00.

The original purpose of the co-operative was to allow the Local Board to remove 'no-sale' tobacco from the warehouses and process it in the producer's plant. However, the Local Board was never in a financial position to carry out this proposal.

From the time the plant was purchased by the Board in 1957, very little of the tobacco was actually processed either by the Local Board or the producers. However, some of the MH-30 treated tobacco, not having sold in the Auction Exchange, was processed in the plant at the owners expense. This accounts for some of the income listed in Table 7 under "co-op tobacco".

A portion of the unsold 7 million pounds of the 1961 crop, was also processed in the co-op, but the greater part was processed and stored in buyers' plants; the guaranteed bank loan was used to finance this operation.

For the past few years 1/3 of the co-op facilities has been rented to the Delta Tobacco Company. This accounts for some of the income listed under "Rentals" in Table 7.

***Remeasuring

After being informed by the Local Board that their actual planted acreages exceed their allotments, many producers are quite sceptical of the results obtained by the measurers. Therefore, the producers can make a deposit of \$25.00 and demand a remeasurement. If the variation of the results of the two measurements exceeds 0.02% of the producer's allotment, then the \$25.00 deposit is refunded. However, the measurers are quite accurate most of the time and the \$25.00 deposit is not refunded. This accounts for the income from "remeasuring".

****Rentals

As has already been mentioned above, renting 1/3 of co-op facilities accounts for some of the income due to rentals. In addition to this the Local Board also rents some of the warehouse space to industry which uses this space for storage during the summer months.

Table 8 Net Sales and Cost per 1000 lbs.

*Cost per 1000 lbs.

This cost is based on the cost of operations for the individual years, and does not include depreciation on:

1. Buildings
2. Railway Sidings, Roads and Parking lots
3. Furniture, Fixtures and Equipment

Since the Tobacco Marketing Board does not have a depreciation schedule for the three categories listed above, the authors have used depreciation rates listed in "Canadian Master Tax Guide", Seventeenth Edition, published by CCH Canadian Limited. The depreciation rates are as follows:

1. Buildings at 5%
2. Railway Sidings, Roads, and Parking lots at 4%
3. Furniture, Fixtures and Equipment at 10%

Therefore, cost per 1000 lbs. would be as follows:

1963 - \$9.77
1962 - \$9.03
1961 - \$6.78

Table 10 Expenses and Costs involved in managing
and operating the three Auction Exchanges

*Remuneration

It is very difficult to state or even to give an estimate of the average number of employees hired per day for a specific job in the Auction Exchanges throughout the marketing period. For instance, in checking through the Payroll Statistics filed weekly by the Marketing Board, the author found that the number of employees classified as 'receivers' ranged from a weekly average of 32 per day, up to an average of 105 per day in each of the three Auction Exchanges. The number of employees in some of the other categories varied similarly. The number of employees in the various categories depends mainly on two factors:

1. the market
2. the amount of 'no-sale' tobacco per day.

If there is a fast market, then the number of receiving units ^{1/} can be increased, so that as many as eight receiving units can be employed efficiently on the five receiving gates in each of the three Auction Exchanges. On the other hand if the market is slow, three receiving units may handle quite easily the volume of tobacco bought by the buyers.

As in the receiving department, the number of employees in the shipping department are affected by the market.

If a great deal of 'no-sale' tobacco occurs then of course more men are needed for the increased handling of tobacco. Frequently, if 'no-sale' occurs then employees are shifted from the receiving and shipping department to the handling of the 'no-sale' tobacco.

In order to give a clear picture of the employee requirement in one Auction Exchange throughout the marketing season, it has been assumed that the market is fast, little 'no-sale' occurs and 1,000,000 pounds of tobacco are sold daily. Under these conditions (there are some days when these conditions are actually met) the following labour force is required to put 1,000,000 pounds through one Exchange:

^{1/} One receiving unit consists of two board graders, one government inspector, one ticketman, one codeman, eight bale swingers, one handtrucker, one scaleman, and one lift truck operator. Regardless of the number of receiving units, the number of foremen, sweepers and utility men in the receiving department would remain relatively constant.

1. One operation manager in charge of the three Auction Exchanges.
2. One warehouse manager and one assistant warehouse manager in each Auction Exchange.
3. Six stripping Supervisors. These men call on producers and arrange dates of shipments.
4. Twenty board graders.
5. Ninety-four employees in the receiving department.

The number of employees in the receiving department can be classified as follows:

- (a) One foreman and one assistant.
- (b) Eight ticketmen (one in each receiving unit).
- (c) Eight codemen (one in each receiving unit).
- (d) Fifty-six bale swingers (seven in each receiving unit). Their job is to arrange bales on the flats.
- (e) One truck attendant.
- (f) Six sweepers.
- (g) Eight hand truckers (one for each receiving unit). Flats are moved by hand trucks from the receiving conveyors to the scales.
- (h) Five scalemen.

6. Twenty-one warehousemen.

The number of warehousemen can be classified as follows:

- (a) Seven utility men
- (b) Three caretakers
- (c) Two clock-room operators
- (d) One employee in the Farmer room
- (e) One grower advisor
- (f) One time keeper
- (g) Five recorders
- (h) One park attendant

7. Fifty-four employees in the shipping department.

The number of these employees can be classified as follows:

- (a) One shipping foreman
- (b) Nine checkers
- (c) Thirty-five bale swingers loading bales on trucks
- (d) Two dispatchers
- (e) Five sweepers

(f) Two shipping clerks

8. Seven lift truck operators.

The total number of employees required to handle 1,000,000 pounds of tobacco daily is 205 in one Auction Exchange.

Table 11 Expenses and Costs involved in Field Operations

*Allotment

During the spring before the tobacco is transplanted from the green houses into the fields, the Marketing Board decides how many acres should be in production to meet the estimated demand. In 1961 the allotment for each producer was 80% of his "rights"; in 1962 the allotment was reduced to 75%.

Once the decision has been made by the Local Board on the percentage cut, then each Exchange office calculates the exact acreage allotment for each producer. Sometimes producers transfer acreages from some farms to others, and in these cases re-allotments are necessary.

**Acreage Measurement.

Acreage measuring begins approximately in the middle of June and lasts about 7 weeks. During this period the number of field employees for measuring, remeasuring, spot checking, and measuring the 'cut-down' varies from 18-80 in any one season. One measuring team consists of a head measurer and a pin boy. Within four weeks after a producer's acreage has been measured, he receives a letter containing his allotment as calculated in the Exchange office and the actual results obtained by the measurers. If these two figures are within .02%, or if the actual measured amount is less than the pre-calculated amount, then the producer is cleared in the books of the Marketing Board. However, if the actual amount obtained by the measurers exceeds the pre-calculated amount then the farmer has two choices: He can cut down the excess, or he can deposit \$25.00 and ask for a remeasuring. If the results obtained by the two measurements are within .02%, then the Marketing Board keeps the \$25.00 deposit. However, if the variation exceeds .02% then the \$25.00 is refunded, and the producer takes the calculations of the second measurement as being correct.

The acreage in excess of the annual allotment has to be cut down in such a way that the bottom of the tobacco stalk is still intact. Spot checks are made frequently by Board employees. As soon as the excess has been cut down, the destroyed portion is then measured and calculated. If head office is satisfied with the results the producer is cleared in the books, if not, then the producer has to keep cutting tobacco until the head office is satisfied.

***MH 30 Inspection.

MH 30 inspection is carried out toward the end of the harvesting season. If a producer wants his name to be cleared as far as the use of a chemical for treating tobacco is concerned, then he cannot destroy tobacco stalks until such inspection has taken place. If producers use MH 30 on their tobacco, or if stalks are destroyed before inspection, then tobacco coming into the warehouse, from such producers, is marked as being treated, and the Board is no longer responsible for such tobacco.

Table 12

Summary of Expenses for Operating
the three Auction Exchanges

*Cost of operations, Cost per day, Cost per 1000 lbs. sold, Cost per 1000 lbs. offered, and total cost of 'no-sale' Tobacco.

These costs are based only on the cost of operations of the Auction Exchanges, that is the cost of selling one crop through the Auction Exchanges; depreciation on over-head and the other costs of operations incurred by the Local Marketing Board are not included.

THE COST OF OPERATING THE MARKETING SYSTEM
IN CANADA, UNITED STATES AND RHODESIA COMPARED

A comparison of the costs of marketing can be made by expressing the operating costs of the auction markets in each of the three countries as a percentage of the average price per pound received by the producers. By comparing these percentages the reader can quite readily establish which of the three systems is more expensive to the producers.

Each of the three marketing systems was considered separately.

Cost of Operating the Auction Exchanges in Ontario.

It has been pointed out that one Auction Exchange is equipped to handle 1,000,000 lbs. of tobacco daily. In fact for the 1960 crop this volume was put through each Exchange for a period of approximately three weeks. However, this volume is the maximum for one Exchange and should, therefore, not be considered as an average throughout an entire marketing season. The management of the three Auction Exchanges is of the opinion that a daily average of 2,500,000 lbs. for the season for the three markets should be aimed for. This volume would take into consideration the various factors associated with the slowing-down of the market. This ideal daily average volume of 2,500,000 pounds throughout an entire selling season has never been reached since the markets were in operation. The 1960-61 season approached the volume when the daily average for the entire season was 2,400,000 pounds.

To operate the Exchange, two eight-hour shifts are required. In the past, whether 2,000,000 or 3,000,000 lbs. of tobacco were put through the Exchanges daily, the number of employees required were approximately the same. The reason for this of course, was that when only 2,000,000 lbs. or less were put through, the market was slow because of a great deal of 'no-sale' tobacco. The second, or night shift, of course, has fewer employees than the day shift because the former is only responsible for filling the auction floor so the auctioning can resume without delay the following morning.

Tables 13, 14, and 15, specify the costs involved in operating the three Auction Exchanges.

The length of the selling season has no effect on the fixed costs, nor on annual depreciation involved in operating the three Auctions. However, the length of the selling season does affect the marketing as far as wages and salaries are concerned. A long selling season indicates that the daily volume sold is low, yet daily wages and salaries will remain approximately the same as when a large daily volume were sold, because the number of people employed will be approximately the same in either case. In addition, a low daily volume usually means that there is a lot of 'no-sale', or too many small flats etc., which in turn implies a great deal of extra handling and inefficient use of equipment.

On the basis of the foregoing discussion the actual marketing cost per 1000 pounds of tobacco for the last three marketing seasons can be established. This is shown in table 16.

The results in table 16, however, reflect costs of operating under conditions when the operating efficiency was relatively low because of a large amount of "no-sale" tobacco, especially during the 1961-62 selling season. The reasons for the low operating efficiency have already been discussed. Therefore, the figures in table 16 understate the operating efficiency of the Auction Exchanges. However, to indicate the true operating efficiency of the Auction Markets, the cost per 1000 lbs. should be determined on the basis that a daily volume of 2,500,000 lbs. of tobacco is put through the Exchanges. The results are shown in table 17.

In table 18, the cost of operating the Auction Exchanges is expressed as a percentage of the average price per pound received by the producer.

Table 13: Salaries and Wages for Employees in one Auction Exchange, Per Day, and Per Selling Season.

ITEM	NO.	COST (Dollars)		
		PER HOUR	PER DAY	TOTAL
Operation manager ^a	1		29	29
Warehouse manager ^b	1		27	27
Assistant warehouse manager ^c	1		18	18
Office staff ^d	2		12	24
I.B.M. operators ^e	8		16	128
Stripping supervisor ^f	6		11	66
Board graders ^g	20		18	360
Receiving Department:				
Foreman ^h	1		18	18
Assistant foreman ^k	1		15	15
Ticketmen	8	1.10	8.80	70.40
Codemen	8	1.10	8.80	70.40
Bale swinger	56	1.10	8.80	492.80
Truck attendant	1		13	13
Sweeper	6	1.10	8.80	52.80
Hand trucker	8	1.10	8.80	70.40
Scalmen	5	1.30	10.40	52.00
Warehousemen:				
Utilitymen	7	1.20	9.60	67.20
Caretakers	3	1.10	8.80	26.40
Clock-room operators ⁱ	2		18	36.00
Employee in Farmer Room ^j	1		12	12.00
Grower advisor ^l	1		12	12.00
Time keeper ^m	1		13	13.00
Recorders	5	1.20	9.60	48
Park attendant	1	1.10	8.80	8.80
Employees in Shipping Department:				
Shipping foreman ⁿ	5		18	18
Checkers	9	1.10	8.80	79.20
Bale swingers	39	1.10	8.80	343.20
Dispatchers	2	1.10	8.80	17.60
Sweepers	5	1.10	8.80	44
Shipping clerk	2	1.10	8.80	17.60
Lift truck operator	7	1.10	8.80	61.60
TOTAL IN ONE EXCHANGE	215			2311.00
TOTAL IN THREE EXCHANGES	645			6933.00

'a' to 'n': Wages were calculated from annual salaries and weekly wages.

Table 14 Relatively Fixed Costs Involved in Operating
the Three Warehouses ^{1/}

ITEM	COST PER YEAR
	Dollars
Buildings:	
Maintenance - wages	17,017
- expenses	1,368
- supplies	24,253
Heating	14,106
Light, power, water	12,000
Insurance	7,158
Taxes	33,239
Rental, land, sidings	200
Equipment:	
Maintenance - wages	1,879
- expenses	327
- supplies	14,819
Insurance	761
Rental	293
Lift Trucks - maintenance - wages	4,571
- expenses	506
- supplies	4,077
fuel	2,906
insurance	592
rental	22,549
Supplies:	
Paper	14,422
Twine	2,557
Tags	17,481
Sundry	1,094
TOTAL	198,175

^{1/} The data in the table represents the actual fixed costs involved during the 1961-62 marketing period. These figures should represent the maximum fixed costs since the 1961-62 marketing season was the longest, a total of 128 selling days.

Table 15: Annual Depreciation

ITEM	Depreciation Rate	ANNUAL AMOUNT
		Dollars
Buildings	5%	77,511
Railway siding, roads and parking lots	4%	2,813
Furniture, Fixtures, and Equipment	10%	6,222
TOTAL		86,546

Table 16: Actual Marketing Cost per 1000 lbs. of Tobacco

ITEM	1960-1961	1961-1962	1962-1963
Total number of pounds put through the Exchanges	198,898,772	190,138,259	180,082,428
Number of selling days	83	128	102
Salaries and wages (Table 13) (\$6933 x no. of days)	\$ 575,546	\$ 887,424	\$ 707,166
Annual Depreciation (Table 15)	\$ 86,546	\$ 86,546	\$ 86,546
Fixed Costs (Table 14)	\$ 198,175	\$ 198,175	\$ 198,175
Total Cost involved in operating the three Exchanges	\$ 860,160	\$1,172,145	\$ 991,887
Cost per 1000 lbs. of tobacco put through the Exchanges	\$4.32	\$6.16	\$5.51

Table 17: Estimated Marketing Cost per 1000 lbs.
if Daily Volume were 2,500,000 lbs.

ITEM	1960-1961	1961-1962	1962-1963
Total number of pounds put through Exchanges	190,898,722	190,138,259	180,084,428
Number of selling days	$\frac{190,898,722}{2,500,000} = 80$	$\frac{190,138,259}{2,500,000} = 76$	$\frac{180,084,428}{2,500,000} = 72$
Salaries and wages (Table 13)	6933 x 80 (no. of days) = 554,640	6933 x 76 (no. of days) = 5,269,008	6933 x 72 (no. of days) = 499,176
Annual depreciation (Table 15)	\$ 86,546	86,546	86,546
Fixed Costs (Table 14)	198,175	198,175	198,175
Total Costs in operating Three Exchanges	839,361	811,629	783,897
Cost per 1000 lbs of tobacco put through Exchanges	\$4.22	\$4.26	\$4.35

Table 18: Cost of Operating the Auction Exchanges
expressed as a percentage of the
average price received by Producers

	1960-61	1961-62	1962-63
Actual Operating Cost	0.78%	1.17%	1.08%
Operating Cost had the Exchanges operated at capacity of 2,500,000 lbs. daily	0.77%	0.81%	.85%

Cost of Operating the Auction Warehouses in the United States

Under the United States' marketing system the growers selling on the Auction Markets pay the warehousemen for the services they render. The warehousemen provide all the services as well as facilities and the auctioneers in conducting the tobacco auctions.

There are 3 fees paid by the grower:

- (a) A commission of 2.5% on the value of the tobacco.
- (b) An auction fee of 15¢ for each pile of 100 lbs. or less and 25¢ for each pile over 100 lbs.
- (c) A weighing and handling fee of 10¢ for all baskets of 100 lbs. or less, and for each additional 100 lbs.

The above fees are maxima established by state law in all states growing flue-cured tobacco, except Virginia. Custom and acceptance by growers have made those maximum charges the standard charges in all states growing tobacco, including Virginia.

If the above fees are calculated on an average basket basis, for the last three crop years, then the information can be summarized as in table 19.

From table 19 the charges per 100 pounds can be calculated and expressed as a percentage of the value as follows:

	<u>Total Charges</u>	<u>Value</u>	<u>Percentage of Value</u>
1960	\$1.75	\$59.88	2.9%
1961	\$1.84	\$63.73	2.9%
1962	\$1.74	\$59.73	2.9%

Table 19: Estimated Charges for Selling an Average Basket of Flue-Cured Tobacco in U.S. for the years 1960-1962 inclusive.

Year	Average Weight per basket ^{1/}	Price ^{2/}	Average Value per basket	Commission	Total ^{3/}
	lb.	\$/Cwt.	Dollars	Dollars	Dollars
1960	176	59.88	105.39	2.63	3.08
1961	183	63.73	116.63	2.92	3.37
1962	182	59.73	108.71	2.72	3.17

Source: ^{1/} Flue-Cured Tobacco Market Review 1961 Crop and 1960 Crop, p.13, types 11-14, Table 5.

Source: ^{2/} Ibid. p.19, Table 7.

Source: ^{3/} Includes Commission plus auction fee at 25 cents. Ibid. p.13, Table 13.

Cost of Operating the Auction Warehouses in Rhodesia

There are now three Auction Exchanges in Southern Rhodesia, which operate on much the same principle as those in the United States. However, in Rhodesia the Exchanges are in operation for a much longer period than those in Ontario and in the United States; the Auction Sales in Rhodesia commence in the middle of March and proceed until the end of September. This feature in itself would suggest that the marketing facilities are used much more efficiently than those in Ontario and in the United States where the selling season is relatively short.

In order to calculate the cost of operating the three Auction Exchanges, the following information was obtained from two of the three Auction Warehouses:

- (a) Average price per pound received for tobacco put through each of the two Exchanges
- (b) Total volume put through each of the two Exchanges
- (c) Sales Commission and marketing fees received over the entire marketing season by each of the two Exchanges.

The above information for the two Auction Exchanges is summarized in table 20.

Table 20: Rhodesian Marketing Statistics for Two Auction Exchanges for the last three marketing seasons.

YEAR	Volume sold in lbs.		Average Price d. per lb.		Sale Commission and fee in £	
	Exchange 1	Exchange 2	Exchange 1	Exchange 2	Exchange 1	Exchange 2
1959-60	75,743,387	77,299,078	34.58	34.14	214,567	255,765
1960-61	81,477,507	81,007,460	33.89	33.82	282,996	260,240
1961-62	79,225,925	81,007,460	34.88	35.15	265,566	272,238

From the information contained in table 20 the marketing cost paid by the producer, can be computed, and expressed as a percentage of the average price received. This is shown in table 21 for each of the two exchanges.

Table 21: The Marketing Cost paid by the producer, expressed as a percentage of the average price per pound.

Year	Exchange 1	Exchange 2	Average
1959-60	1.97%	2.31%	2.14%
1960-61	2.45%	2.27%	2.36%
1961-62	2.29%	2.26%	2.27%

Conclusion

The operating costs expressed as a percentage of the average price received by the producers in each of the three countries, is summarized in table 22.

Table 22: Operating Costs expressed as a percentage of the average price received by the producers in the three countries.

Country	Crop Year		
	1960	1961	1962
Canada actual (table 16)	.8%	1.2%	1.08%
possible (table 17)	.8%	.8%	.85%
United States	2.9%	2.9%	2.9%
S. Rhodesia	2.1%	2.4%	2.3%

Table 22 indicates that from the producers' point of view, the Ontario Auctions are by far the cheapest of the three methods of selling tobacco.

APPENDIX A

HISTORICAL INFORMATION ON PRODUCTION,
PRICES AND EXPORTS

TABLE A - 1

Flue-cured Tobacco in Ontario: Area,
Production, Farm price per pound, and
Value of the Commercial Crop.

Year	Area	Yield per acre	Total prod- uction	Farm Price Per Pound	Total Farm Value
	acres	lb.	lb.	cents	dollars
1924	6,849	800	5,479,000	Not available	Not available
1925	7,331	855	6,268,000	33.00	2,068,400
1926	6,429	674	4,331,000	45.00	1,949,000
1927	6,550	825	6,229,800	33.90	2,111,900
1928	10,898	800	8,718,400	31.00	2,702,700
1929	15,060	600	9,036,000	29.00	2,620,400
1930	17,200	720	12,384,000	32.00	3,962,900
1931	27,345	896	24,500,000	20.50	5,022,500
1932	27,754	995	27,615,200	16.30	4,501,300
1933	30,042	897	26,936,400	19.50	5,252,600
1934	24,289	900	21,860,000	24.70	5,399,400
1935	30,905	1,138	35,183,600	27.50	8,620,000
1936	35,701	684	24,421,400	29.30	7,155,500
1937	52,452	1,042	54,655,000	27.30	14,940,500
1938	61,300	1,244	76,278,900	22.65	17,280,400
1939	63,820	1,180	75,294,400	20.30	15,284,800
1940	42,640	870	37,083,500	20.80	7,713,400
1941	48,930	1,461	71,526,700	22.80	16,300,100
1942	58,400	1,156	67,483,500	26.50	17,883,100
1943	55,700	983	54,754,700	30.20	16,539,900
1944	68,800	1,200	82,595,000	30.74	25,389,000
1945	72,344	982	71,056,000	34.90	24,799,000
1946	85,852	1,339	114,992,000	36.67	42,172,000
1947	98,146	848	83,206,000	37.34	31,069,000
1948	85,200	1,151	98,072,000	42.70	41,877,000
1949	86,252	1,324	114,161,000	42.25	48,239,000
1950	87,330	1,193	104,179,000	44.72	46,590,000
1951	106,300	1,317	140,023,000	44.37	62,121,000
1952	81,303	1,567	127,435,000	41.61	53,025,000
1953	90,800	1,403	127,394,000	43.77	55,762,000
1954	116,990	1,436	167,988,000	43.21	72,581,000
1955	91,784	1,222	112,202,000	45.48	51,030,000
1956	111,400	1,361	151,669,000	46.11	66,614,000
1957	120,652	1,226	147,973,000	49.23	72,936,000
1958	117,274	1,504	176,322,000	46.54	82,113,000
1959	112,128	1,311	147,026,000	56.14	81,512,000
1960	123,831	1,611	199,521,000	55.10	109,036,000
1961	122,287	1,555	190,164,000	52.43	98,307,000
1962	120,831	1,548	180,153,000	50.94	95,769,000

- Sources: 1. Report, Restrictive Trade Practices Commission, Concerning the Production, Purchase and Sale of Flue-Cured Tobacco in Ontario. Queen's Printer, Ottawa, 1956, p. - 14.
2. Ontario Flue-cured Tobacco Growers' Marketing Board, Secretary's Annual Reports.

TABLE A - 2

Total Amount of Flue-Cured Tobacco
Exported by Ontario

Year	Export to All Countries
1951	28,300,000 lbs.
1952	37,300,000 lbs.
1953	27,300,000 lbs.
1954	30,900,000 lbs.
1955	45,500,000 lbs.
1956	28,500,000 lbs.
1957	35,700,000 lbs.
1958	27,700,000 lbs.
1959	37,800,000 lbs.
1960	34,500,000 lbs.
1961	37,400,000 lbs.
1962	46,800,000 lbs.
1963	40,900,000 lbs.

- Source: 1. Report, Restrictive Trade Practices Commission, Concerning the Production, Purchase and Sale of Flue-Cured Tobacco in Ontario, Queen's Printer, Ottawa. 1956.
2. Ontario Flue-Cured Tobacco Growers' Marketing Board, Secretary's Annual Reports.

TABLE A - 3

Number of Farms Belonging to Association
Members and Independent Growers

	Association Farms		Independent Farms	
	Number	Acres	Number	Acres
1941	2, 247	41, 794	329	Not Available
1942	2, 181	51, 232	417	Not Available
1943	2, 237	50, 713	196	Not Available
1944	2, 377	61, 802	330	Not Available
1945	2, 627	66, 043	272	6, 291
1946	2, 833	79, 497	274	4, 852
1947	3, 123	95, 876	126	2, 120
1948	3, 447	84, 693	38	621
1949	3, 566	85, 192	56	943
1950	3, 557	85, 901	76	1, 433
1951	3, 556	102, 306	155	3, 966
1952	3, 596	78, 644	215	2, 657
1953	3, 638	85, 711	202	3, 131
1954	3, 571	110, 665	304	5, 752
1955	3, 564	81, 295	523	10, 658
1956	4, 064	Not Available	23	Not Available

Source: Report, Restrictive Trade Practices Commission, Concerning the Production, Purchase and Sale of Flue-Cured Tobacco in Ontario, Queen's Printer, Ottawa 1956, p. 56.

APPENDIX B

LEGISLATION ON PRODUCERS'
MARKETING BOARDS IN CANADA

Legislation on Producers' Marketing Boards in Canada.

During the early years of the depression the federal government was being pressed to enact legislation to bring about the more orderly marketing of agricultural products. The government drafted a bill to set up a Dominion Marketing Board, which was to have extensive powers to regulate and control the marketing of products. These powers were embodied in the Natural Products Marketing Act (Canada) 1934. However, in 1937 the Supreme Court of Canada found the federal act ultra vires of the Dominion Government, and the Natural Products Marketing Act of 1934 was repealed.

After the Natural Products Marketing Act (Canada) 1934, was declared ultra vires, several provinces immediately passed a complete Marketing Act to permit some of the Boards in existence, at the time, to continue operations. At present every province in Canada has its own legislation which permits farmers to control the marketing of certain products through Boards elected by them.

The legislation varies from province to province; the essential differences in the acts are first, in the powers delegated to the provincial Board, second, in the products eligible for control, third, in the method of establishing Local Boards, and fourth, in the power granted to the Local Boards.

The Farm Products Marketing Act (Ontario) 1946, gives authority to the Lieutenant-Governor in Council^{1/} to appoint a provincial Marketing Board, in this case the Ontario Farm Products Marketing Board. This Board in turn, on approval of the Lieutenant-Governor in Council, may make regulations regarding licenses, license fees, delegation of power and marketing, including appointment of a negotiating committee and selling agency and granting power to them. The Board may also draft regulations for and delegate powers to any Local Board. In the case of the tobacco industry the Local Board is the Ontario Flue-Cured Tobacco Growers' Marketing Board. The Local Board in turn will conduct its business in the manner and under the regulations prescribed by the Provincial Board.

There is also an Act at the Federal level, namely The Agricultural Products Marketing Act (Canada) 1949. This Act is merely an enabling legislation permitting the Provincial Board to delegate power to the Local Board, and also permitting the Local Boards to exercise outside the province the same powers which provincial legislation allowed them to exercise within the province, if this is necessary.

Powers Contained in the Ontario Flue-Cured Tobacco Growers' Marketing Plan. Delegation of Powers

1. The Ontario Farm Products Marketing Board delegates to the Local Board the power
 - (a) to require persons engaged in producing or marketing tobacco to register their names, addresses and occupations with the Local Board;

^{1/} The Lieutenant-Governor in Council is in effect the Provincial Cabinet.

- (b) to require persons engaged in producing or marketing tobacco to furnish such information relating to the production or marketing of tobacco as the Local Board may determine;
 - (c) to appoint persons to inspect the books, records and premises of persons engaged in producing or marketing tobacco;
 - (d) to stimulate, increase and improve the marketing of tobacco by such means as it may deem proper;
 - (e) to do such acts and make such orders and issue such directions as are necessary to enforce the due observance and carrying out of the provisions of the Act, the regulations and the plan.
2. The Board (OFPMB) delegates to the Local Board the power to make regulations with respect to tobacco marketed within Ontario,
- (a) providing for the licensing of any or all persons before commencing or continuing to engage in the producing or marketing of tobacco;
 - (b) prohibiting persons from engaging in the producing or marketing of tobacco except under the authority of a licence issued by the Local Board;
 - (c) providing for the refusal to grant a license where the applicant is not qualified by experience, financial responsibility and equipment to engage properly in the business for which the application was made, or for any other reason which the Local Board may deem proper;
 - (d) providing for the suspension or revocation of, or the refusal to renew, a license for failure to observe, perform or carry out the provisions of the Act, the regulations, the plan, or any order or direction of the Local Board;
 - (e) providing for the right of any person whose license was refused, or was not renewed, to show cause why such license should not be refused or why renewal should not be refused;
 - (f) providing for the fixing of license fees payable by any or all persons marketing tobacco and the collecting of the license fees and the recovering of such license fees by suit in any court of competent jurisdiction;
 - (g) prescribing the form of licenses;
 - (h) providing for the fixing and allotment of quotas for tobacco and for the marketing of tobacco on a quota basis, and for prohibiting any producer from marketing any tobacco in excess of the quota allotted to such producer;
 - (i) regulating and controlling the marketing of tobacco including the times and places at which tobacco may be marketed.

In the Tobacco Growers' Marketing Plan some of the Powers and Rules delegated to the Local Board are very broad and general; therefore The Farm Products Marketing Board of Ontario and the Ontario Flue-Cured Tobacco Growers' Marketing Board, annually, usually after lengthy discussion, set up specific regulations relating to all phases of regulating and controlling the marketing of a crop. These regulations are published and distributed to all concerned.

Some of the 1962-63 Regulations made by The Farm Products Marketing Board of Ontario and the Local Board.

1. Licences to Produce.

No person shall commence or continue to engage in the producing of tobacco except under the authority of a licence as a producer of tobacco as in form 1.

Form 1

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

LICENCE TO PRODUCE FLUE-CURED TOBACCO

Under the Agricultural Products Marketing Act of Canada and the regulations, and subject to the limitations thereof, this licence is issued to:

Name and Address

to produce flue-cured tobacco.

This licence expires with the 31st day of October 19__.

The Ontario Flue-Cured Tobacco Growers' Marketing Board

Chairman _____ Secretary _____

2. Licence Fees.

Every producer shall pay to the Local Board licence fees at the rate of one cent for each pound of tobacco sold.

3. Licence to Buy.

Every buyer must have a licence, but first he must fill out an application form 3. A licence to buy shall be in form 6. This licence is issued without charge.

Form 3.

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

APPLICATION FOR LICENCE TO BUY FLUE-CURED TOBACCO

(name of applicant)

makes application to The Ontario Flue-Cured Tobacco Growers' Marketing Board for licence as under the Farm Products Marketing Act of Ontario and The Agricultural Products Marketing Act of Canada to engage in the buying of flue-cured tobacco until the 30th of June 19__.

Dated at _____, Ontario this _____ day of _____ 19__.

Applicant

Address

Form 6.

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

LICENCE TO BUY FLUE-CURED TOBACCO

Under the Farm Products Marketing Act and the regulations, and subject to the limitations thereof, this licence is issued to

(name)

of (address)

to buy flue-cured tobacco.

This licence expires with the 30th day of June 19__.

Issued at Tillsonburg, Ontario this _____ day of _____ 19__.

The Ontario Flue-Cured Tobacco Growers' Marketing Board

Chairman

Secretary

4. Licence to Transport.

All persons engaged in transporting of tobacco must have a licence. Form 8 is the application, and the licence to transport is in form 10.

Form 8.

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

APPLICATION FOR LICENCE TO TRANSPORT FLUE-CURED TOBACCO

(name of applicant)

makes application to The Ontario Flue-Cured Tobacco Growers' Marketing Board for licence as under The Farm Products Marketing Act of Ontario to engage in the transporting of flue-cured tobacco until the 30th day of June 19__.

Dated at _____, Ontario this _____ day of _____ 19__.

Applicant

Address

Form 10.

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

LICENCE TO TRANSPORT FLUE-CURED TOBACCO

Under the Farm Products Marketing Act and the regulations, and subject to the limitations thereof, this licence is issued to

(name)

of (address)

to transport flue-cured tobacco.

This licence expires with the 30th day of June next following the date of issue.

Issued at Tillsonburg, Ontario this day of 19__ .

The Ontario Flue-Cured Tobacco Growers' Marketing Board

Chairman

Secretary

5. The Local Board has the power to grant, renew, suspend or revoke licences.

6. Marketing.

- (a) No person shall sell tobacco to any person other than the Local Board or a licenced buyer at a Tobacco Exchange;
- (b) No person shall transport tobacco to any place other than a Tobacco Exchange;
- (c) No person shall buy any tobacco for which a 1962 tobacco marketing quota has not been fixed and allotted by the Local Board;
- (d) No person shall buy any tobacco elsewhere than a Tobacco Exchange operated by the Local Board;
- (e) No person other than the Local Board shall pack tobacco which has not been sold at the Exchange operated by the Local Board.

7. Payment of Purchase Price.

The buyer must pay to the Local Board the price owing for tobacco not later than 48 hours after the time of purchase of the tobacco.

8. Marketing Quotas

- (a) The Local Board may establish and record basic marketable acreages for tobacco farms on such basis as the Local Board may in its discretion determine.
- (b) No person shall buy, sell, offer for sale, pack, ship for sale or storage, or transport in any manner any tobacco produced in excess of the 1962 tobacco marketing quota fixed and allotted by the Local Board.
- (c) No person shall buy, sell, offer for sale, pack, ship for sale or storage, or transport in any manner any tobacco for which a 1962 tobacco marketing quota has not been fixed and allotted by the Local Board.

9. Application for transfer of Marketable Acreage.

- (a) When applying for transfer of any portion of a Marketable Acreage, an application form (form 11) must be filled out.
- (b) Every person who is permitted by the Local Board to transfer a portion of a Marketable Acreage from a tobacco farm to a property or to another tobacco farm shall grow or cause to be grown an acreage of tobacco on the tobacco farm from which the portion of the Marketable Acreage is transferred which is at least equal to the Marketable Acreage which is permitted to be transferred.
- (c) No person who is permitted by the Local Board to transfer a portion of a Marketable Acreage from a tobacco farm to another tobacco farm shall grow or permit to be grown an acreage of tobacco on the tobacco farm to which the portion of the Marketable Acreage is permitted to be transferred which exceeds the greater of
 - (i) the basic Marketable Acreage of the tobacco farm, or
 - (ii) 45 per cent of the cleared plantable tobacco land on the tobacco farm as established by the Local Board.

Form 11.

THE ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

Tillsonburg - - Ontario

APPLICATION TO TRANSFER MARKETABLE ACREAGE - 1962

From (name) Farm no.

Basic Marketable Acreage

No. of acres of marketable acreage to be transferred

No. of acres of tobacco to be grown

To Farm no.

Or Property

Basic Marketable Acreage

No. of acres of tobacco to be grown

I understand that the six acre exemption will be forfeited on Farm No.

Signature

Date received at the Administrative Office of the Local Board day of 19__.

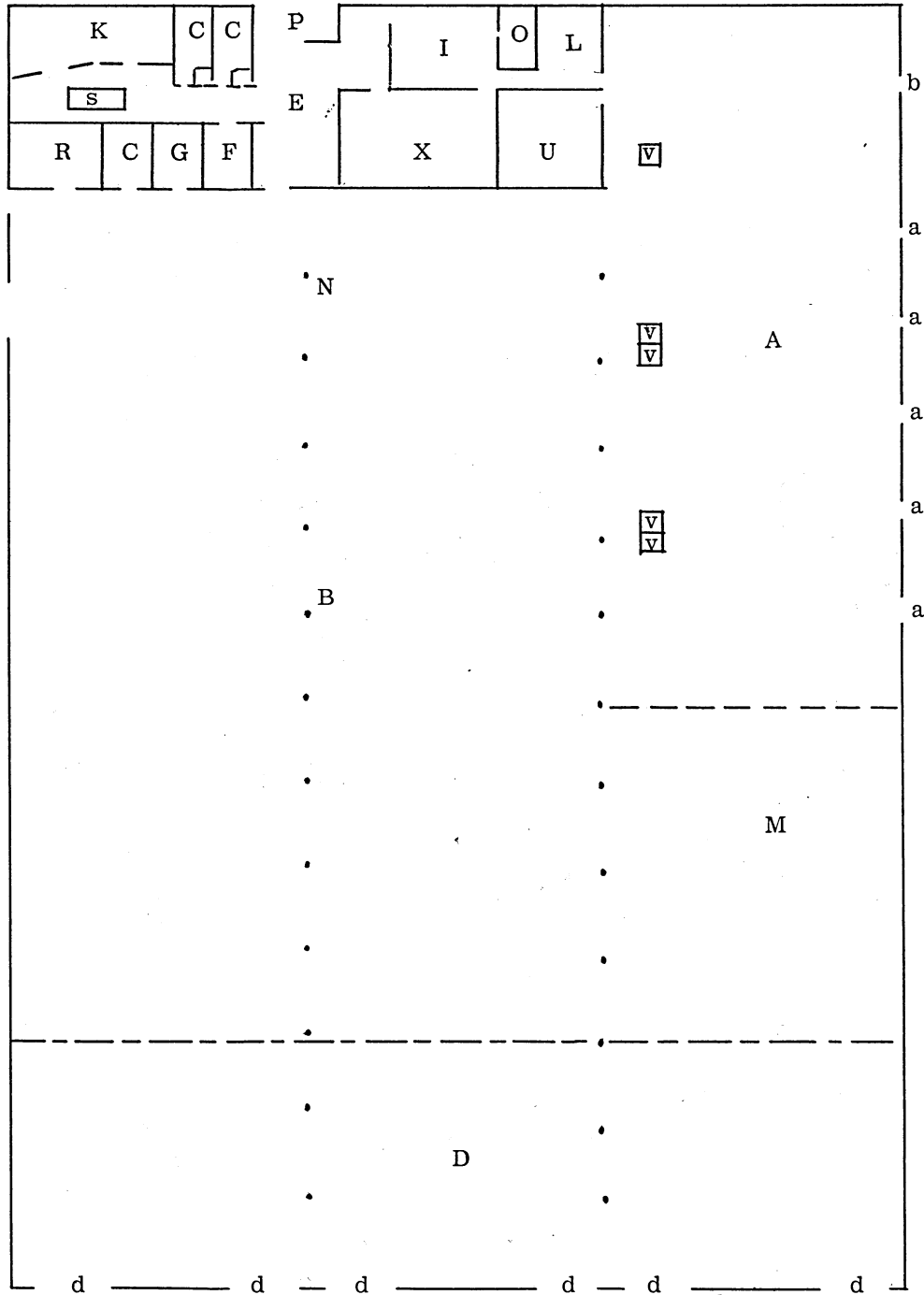
Approved at a meeting of the Local Board held on the day of 19__.

APPENDIX C

GENERAL LAYOUT OF ONE AUCTION EXCHANGE AND
TOBACCO FLOW THROUGH THE AUCTION EXCHANGE

FIGURE C-1

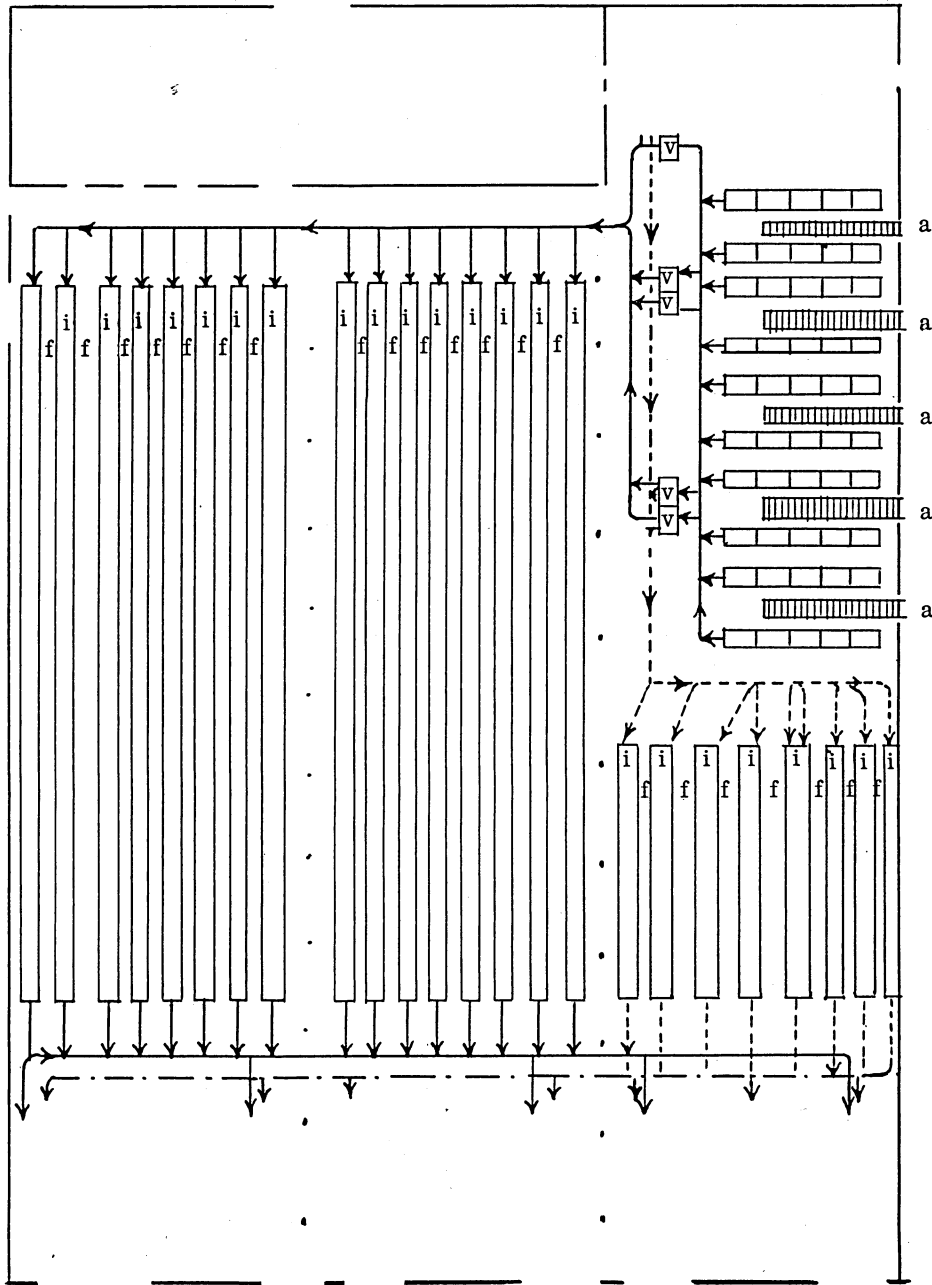
GENERAL LAYOUT OF AUCTION EXCHANGE



- | | | |
|----------------------------|--------------------------------|-----------------------------|
| A - Receiving area | E - Lobby | O - Warehouse mgr.'s office |
| B - Display area | P - Main office entrance | N - Vertical steel beam |
| M - Recode department | V - Scales | d - Shipping exits |
| D - Shipping area | C - Rest rooms | a - Receiving doors |
| I - Main accounting office | K - Cafeteria | b - Truckers' entrance |
| L - Stock room | S - Staircase | e - Janitor's equipment |
| X - Auction room | R - Boiler room | F - Farmers' room |
| U - Utility room | G - Assistant manager's office | |

FIGURE C - 2

TOBACCO FLOW THROUGH AUCTION EXCHANGES



- a - Receiving conveyors
 - c - Flats (bales are arranged into flats)
 - v - Scales
 - i - Flats are arranged into rows
 - f - Path between rows
- Solid Line _____ (i) tracing path of all tobacco from receiving conveyors to scales.
(ii) tracing path of all tobacco excepting ND and factored tobacco, to main Auction floor and to shipping gates.
- Broken Line - . - . - . (i) tracing ND and factored Tobacco to recode department and shipping gates.

APPENDIX D

ILLUSTRATION OF CATALOGUES, FORMS AND
TICKETS USED FOR BUYING AND IDENTIFYING
TOBACCO IN THE EXCHANGES

FORM D-1

Catalogue used by the Board Officials in the Auction Room as well as in the Farmer's Room.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

DELHI - TILLSONBURG - AYLMER

TOBACCO OFFERED FOR SALE

Date Sold

Date Recorded Location Line Catalogue No.....

Farm #	Code No. (corresponds with No. on Weight Ticket)	Weight	Position	Flat #	Bales	Grade	Grade Code	** T/L	Buyer #	Price	Remarks
34256	*T129898	44	1		10	NDL			1	52	N.S.
44825	T69450	606	2		3	CF6		3			
32482	T62263	1205	3		12	BF2		2	53		
.	
.	
.	
.	
.	
.	
52589	T40038	1155	n		24	BL3			5	45	

*T in front of the Code Number stands for Tillsonburg Exchange.
 **T/L - T stands for tied and L stands for Loose.

FORM D-2

Catalogue used by the Buying Companies for appraising and buying.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

DELHI - TILLSONBURG - AYLNER

TOBACCO OFFERED FOR SALE

Date Sold

Date Recorded..... Location..... Line..... Catalogue No.....

Farm # (corresponds with No. on Weight Ticket)	Weight	Position	Flat #	Bales	Grade	Grade Code	T/L	Buyer	Price	Remarks
T129898	44	1		10	NDL			1	52	
T69450	606	2		3	CF6			2		N.S.
T62263	1205	3		12	BF2			3	53	
.	
.	
.	
.	
.	
.	
.	
.	
.	
.	
T40038	1155	n		24	BL3			5	45	

FORM D-3

An Application Card for a Shipment of Tobacco to the Auction Exchanges

1962 Crop Stripping Report

(Farm Owner)

Farm No. _____

Estimated Weight _____

First shipment not to exceed 25% of total crop.

I have ready for shipment following number of bales and agree to ship them as soon as ordered

No. of Bales	Estimated Weight
<input type="text"/>	<input type="text"/>

This card must be returned to Head Office to ship your tobacco.

1962 Barn Inspection Report

(Farm Owner)

Farm No. _____

Estimated Weight _____

First shipment not to exceed 25% of total crop.

No. of Bales	Estimated Weight
<input type="text"/>	<input type="text"/>

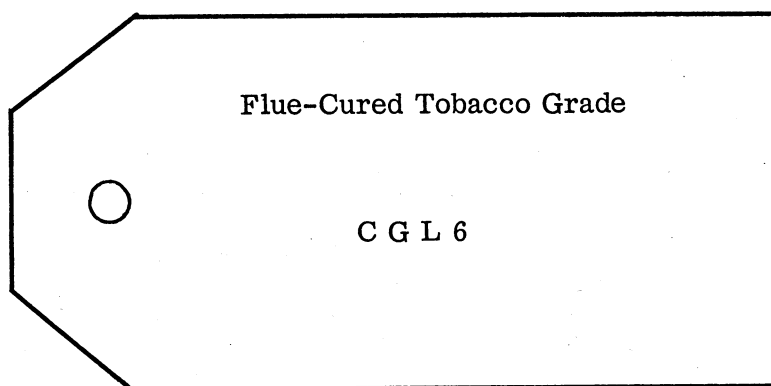
Inspection made and above information correct.

Sign _____
(Stripping Supervisor)

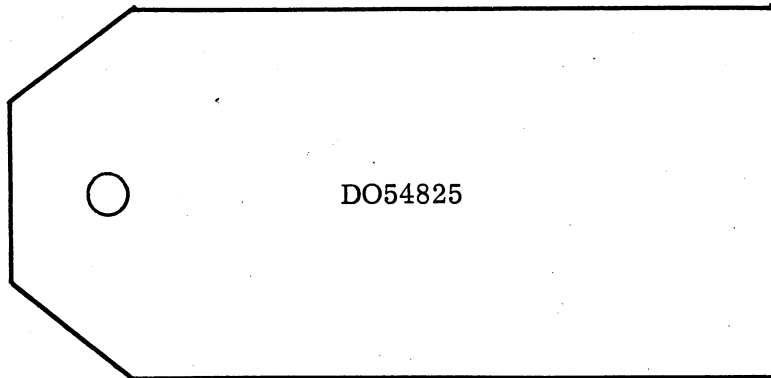
FIGURE D-1.

Grade tag

- (a) The one side of grade tag shows the grade of that particular bale.



- (b) The other side of the grade tag shows the Code Number.



The Code Number is written on the ticket after the ticket has been fastened to the bale of tobacco. This Code Number corresponds with the Farmer Ticket No. DO54825, which is found on the Weight Ticket.

FIGURE D - 2

WEIGHT TICKET

Each weight ticket consists of six differently colored copies — one for the buyer, one for the farmer, one remains with the pallet of tobacco, one for the shipping department, and two for the files of the Marketing Board. The weight tickets are made up in such a fashion that Farm Numbers do not appear on the copies which go to the buyers. On all the other copies, however, the farm number does appear. In addition the weight tickets are made of such paper, that any mark made on the outside copy, will appear on all the other five copies as well.

Farm Number - 82768					
Farmer Ticket No. DO54825		THE ONTARIO FLUE-CURED TOBACCO GROWERS MARKETING BOARD			
		DELHI - TILLSONBURG - AYLNER			
		WEIGHT TICKET			
		Scale No.....			
		Date			
		Weigher.....			
Buyer Ticket No. A629815					
Bales	Grade	Code	P	T or L	Weight
	Buyer	Price	Reject		(Buyers use only)
1					
2					
3					
4					
5					

APPENDIX E

EQUIPMENT, MACHINES AND OTHER FIXTURES
USED IN THE AUCTION EXCHANGES

TABLE E-1

Equipment found in one Auction Exchange. *

<u>ITEM</u>	<u>NUMBER</u>	<u>TOTAL COST</u>
		\$
Fire extinguisher	15	794.65
Power tools		500.00
Toledo scales	5	17,123.00
Detex watchman clock	1	259.00
Dutch clock	1	3,341.92
I.B.M. time clock	1	495.00
I.B.M. time card racks	10	120.00
Pallet weights	1	1,182.25
Flats	1255	5,959.00
Ladder	4	161.00
Ambulance stretcher	1	27.50
Wooden benches	27	189.00
Lawn mower	1	110.00
Vacuum cleaner	1	300.00
Grade tag storage cupboard	1	75.00
Grade ticket stands	5	19.40
Propane lift trucks	2	10,889.00
Hand lift trucks	10	3,892.56
Propane Yale Lift Trucks	6	rented.
Exhaust tester	1	179.45
Oxy-monoxo kit	1	44.20
Installation of flood lights	1	300.00
Roller conveyer system		6,578.29
Air compressor and motor	1	349.99
Exhaust fan system	1	580.00
Spare motor for heating	1	81.00
Total Cost for Equipment in one Auction Exchange		53,551.86

* At cost price.

TABLE E - 2

Furniture and Fixtures found in the offices at each of the three Exchanges. *

<u>ITEM</u>	<u>NUMBER</u>	<u>TOTAL COST</u>
		\$
Straight back oak chairs	35	708.75
Oak arm chairs	19	496.85
Lounge chairs	3	208.20
Stenographer chairs	4	102.00
Metal folding chairs	34	198.90
Auction room chairs	16	240.00
Buyers' chairs	8	544.00
Stacking chairs	16	80.00
Oak tables	8	560.00
Auction Room tables	15	225.00
Oak desks	9	895.50
Secretarial desks	1	25.00
Oak desk trays	18	66.60
Customer coat racks	9	110.25
Waste baskets	25	105.25
6 piece settee	1	239.25
Sanitary napkin dispenser	1	6.21
Towel dispenser	6	21.00
Soap dispenser	6	75.00
Mirror	3	30.00
Auction counter	1	260.00
Lighting fixtures	1	279.07
First aid cabinet	1	30.00
Set of drapes	1	166.00
Stacking tables	4	36.00

Total Cost of Furniture and Fixtures at each Exchange Office 5,768.83

*At cost price.

TABLE E - 3

Machines and Files at each Exchange Office. *

<u>ITEM</u>	<u>NUMBER</u>	<u>TOTAL COST</u>
		\$
Metal typewriter stands	3	117.75
Ditto machines	1	550.00
Mobile filing cabinets	1	53.15
Filing cabinet for weigh tickets	1	220.00
5 drawer filing cabinet	1	87.50
4 drawer filing cabinet	2	75.00
3 drawer filing cabinet	1	20.00
2 drawer filing cabinet	1	12.25
Adding machines	2	600.00
Hand adding machines	5	475.00
Electric adder (8 bar)	1	345.00
P.A. System	1	224.10
Carrying cases for punch cards	3	60.75
Large electric fan	1	55.00
Total Cost for Machines and Files at each Exchange Office		2,895.45

* At Cost Price .

TABLE E - 4

Head Office Inventory *

<u>ITEM</u>	<u>UNITS</u>	<u>TOTAL COST</u>
		\$
Oak back chairs	13	263.23
Oak arm chairs	15	392.25
Executive chairs	7	311.76
Executive padded chairs	3	133.65
Stenographer chairs	17	695.86
Metal folding chairs	6	35.10
Oak tables	8	560.00
Executive table	1	149.75
Directors folding table	2	342.46
Oak desks	4	398.00
Secretarial desks	10	1,218.00

Metal executive desk	3	472.50
Class top desk	1	50.00
Cabinet for I.B.M. equipment	2	85.00
Oak desk trays	24	88.80
Coat racks	7	91.25
Metal typewriter stands	7	274.75
Typewriters	7	1,566.00
Electric Remington Rand	2	1,000.00
I.B.M. typewriters	3	4,014.12
Filing cabinets	41	00.00
Farmers' rack	1	40.00
Farmers' Survey Cabinet	1	30.00
I.B.M. Supply Tables	2	103.25
Elliott Addresser cabinet	1	103.25
Adding machines	4	1,201.50
Calculators	4	1,580.00
Facit calculators	3	1,580.00
Stenorette and transcriber	6	1,157.00
Portable stenorette	1	166.00
Thermofax Copying machine	2	758.00
Reader Printer	1	805.50
Offset duplicator and 1 clamp conversion kit	2	8,723.00
Apeco Electrostat	1	1,330.85
Elliott addresser	1	686.00
Portage meter	1	1,010.80
Portage weigh scale	1	80.00
Unemployment Insurance machine	1	715.00
Folding machine	1	256.25
Non metered printing device	1	350.00
I.B.M. Control panels	15	1,226.17
Fixed jack control panels	15	497.00
Total Cost of Head Office Inventory		36,879.92

* At Cost Price.

Note: In addition to the items listed in Tables E-1, 2, 3, and 4, the Tobacco Marketing Board rents I.B.M. Equipment used both at the head office and the Exchange offices.

APPENDIX F

DATA CONCERNING GRADES, AWARDED MINIMUM
GRADE PRICES, REALIZED PRICES, VOLUME AND
VALUE SOLD IN EACH EXCHANGE AND VOLUME
BOUGHT AND PRICES PAID BY EACH OF THE
BUYING COMPANIES

TABLE F - 1

Table 1. Awarded Minimum Grade Prices

Grades	1960	1961 (cents per pound)	1962
BL1	62.50	62.75	65.25
BL2	62.75	62.75	63.00
BL3	62.00	62.00	61.50
BL4	59.25	59.50	59.00
BL5	54.25	55.25	56.25
BL55***			52.75
BL6	41.75	44.00	49.25
BF2	62.00	62.00	62.50
BF3	61.00	61.00	61.50
BF4	57.50	58.00	59.00
BF5	49.00	50.50	54.50
BF55***			48.75
BF6	33.50	35.50	43.00
BM4	53.50	54.00	56.25
BM5	45.00	46.00	50.50
BM55***			42.75
BM6	28.50	30.00	35.00
BK3*		57.50	56.25
BK4*		50.00	49.25
BK5*		38.00	38.00
BK55***			29.00
BK6*		20.25	20.00
BGL3	56.75	57.25	56.75
BGL4	53.00	54.00	54.50
BGL5	42.75	44.75	49.00
BGL55***			43.50
BGL6	31.25	32.75	37.75
BGF3	51.75	53.00	54.50
BGF4	47.25	48.75	51.75
BGF5	37.75	39.75	45.00
BGF55***			38.75
BGF6	26.50	27.50	42.25
BCR	49.25	50.50	52.50
CL1	62.75	62.75	61.50
CL2	62.75	62.75	61.50

Continued - -

CL3	62.50	62.50	61.50
CL4	61.50	61.50	60.25
CL5	58.00	58.25	57.00
CL55***			54.25
CL6**	50.75	51.50	51.75
CF2	62.75		
CF3	62.75	62.75	61.50
CF4	60.75	60.75	59.75
CF5	53.75	54.50	54.25
CF55***			50.25
CF6	42.75	44.25	46.25
CK4*		57.50	56.50
CK5*		49.25	48.50
CK55***			37.25
CK6*		26.25	26.00
CGL3	58.00	58.50	57.25
CGL4	55.25	55.75	55.25
CGL5	48.00	49.50	51.00
CGL55***			41.25
CGF6	28.25	29.75	34.50
CCR	50.25	51.25	52.50
XL2	57.75	58.00	56.75
XL3	55.00	55.50	54.75
XL4	49.75	50.75	50.50
XL5	39.00	40.25	43.25
XL55***			38.00
XL6	25.00	26.50	32.50
XF3	42.75	45.50	47.50
XF4	44.75	45.75	47.25
XF5	33.50	35.25	39.50
XF55***			33.75
XF6	21.00	22.75	28.00
XK4*		40.50	40.25
XK5*		29.00	29.75
XK55***			25.00
XK6*		15.50	16.00
XGL5	24.25	26.50	33.00
XGL55***			27.75
XGL6	16.75	18.00	22.25

*These grades were added in 1961.

**These grades were eliminated in 1961.

***These grades were added in 1962.

TABLE F - 2

Summary of Flue-Cured Tobacco Grades in Ontario
Under the Farm Products Grades and Sales Act^{1/}

	Choice	Fine	Leaf (B)		Common	Poor
			Good	Fair		
Lemon and Light Orange (L)	BL1	BL2	BL3	BL4	BL5	BL6
Orange and Light Mahogany (F)		BF2	BF3	BF4	BF5	BF6
Dark Mahogany (M)				BM4	BM5	BM6
Variegated Grey (K)			BK3	BK4	BK5	BK6
Green Lemon & Light Orange (GL)			BGL3	BGL4	BGL5	BGL6
Green Orange & Mahogany (GF)			BGF3	BGF4	BGF5	BGF6
			B	C	R	
Cutters (c)						
Lemon and Light Orange (L)	CL1	CL2	CL3	CL4	CL5	CL6
Orange and Light Mahogany (F)		CF2	CF3	CF4	CF5	CF6
Variegated Grey (K)				CK4	CK5	CK6
Green Lemon & Light Orange (GL)			CGL3	CGL4	CGL5	CGL6
Green Orange & Mahogany (GF)					CGF5	CGF6
			C	C	R	
Lugs (X)						
Lemon and Light Orange (L)		XL2	XL3	XL4	XL5	XL6
Orange and Light Mahogany (F)			XF3	XF4	XF5	XF6
Variegated Grey (K)				XK4	XK5	XK6
Green Lemon & Light Orange (GL)					XGL5	XGL6
Non-Descript (ND)						
Lemon and Light Orange (L)						NDL
Orange and Light Mahogany (F)						NDF
Dark Mahogany (M)						NDM
Variegated Grey (K)						NDK
Green (G)						NDG

Key to Grade Marks

Colors

L - Lemon and Light Orange
 F - Orange and Light Mahogany
 M - Dark Mahogany
 XK - Variegated Grey
 GL - Green Lemon and Light Orange
 GF - Green Orange and Mahogany
 CR - Cherry Red
 Variegated Grey means distinctly grey or grey that is mottled, bleached or dull faced.

Special Factors

A - Wrappers
 D - Leaf spotted severely
 H - Hailed
 O - Frosted
 R - Reddened by Excess Moisture
 S - Scorched
 T - Smoked
 Y - Severely bruised in handling during harvest
 W - Wet
 Z - Wind damaged

^{1/} The Farm Products Grades and Sales Act, Regulations respecting Flue-Cured Tobacco, 1962.

TABLE F - 3

Tobacco Marketed According to Grade and Average Price

Grade	1960-61				1961-62	
	Tied		Loose		Loose	
	Pounds	Av. Pr. ¢ per pound	Pounds	Av. Pr. ¢ per pound	Pounds	Av. Pr. ¢ per pound
BL1			229	62.93	114	67.75
BL2	367,382	65.62	1,190,098	62.82	61,479	64.72
BL3	2,503,483	64.92	22,543,701	62.11	2,598,143	63.16
BL4	2,338,092	62.46	32,376,563	59.97	19,528,981	60.45
BL5	679,235	58.02	10,098,317	57.75	10,192,399	58.19
BL6	28,947	47.27	710,986	49.36	610,766	52.34
BF2	40,176	65.09	159,014	62.21	30,909	64.44
BF3	467,942	63.93	4,480,369	61.27	3,026,701	63.35
BF4	1,358,315	60.67	12,708,066	59.32	19,571,347	60.94
BF5	887,062	53.53	9,652,592	55.19	16,386,692	57.25
BF6	131,474	39.38	2,619,378	42.52	4,210,309	46.86
BM4	7,495	56.63	39,787	56.08	67,651	58.52
BM5	52,925	47.89	563,972	50.02	1,040,226	53.28
BM6	33,810	32.35	604,844	35.39	724,071	37.58
BK3					1,338	57.50
BK4					4,659	50.47
BK5					19,231	38.99
BK6					8,422	20.57
BGL3	9,114	58.79	751,940	58.47	667,501	58.11
BGL4	17,043	54.03	2,395,569	55.95	3,268,325	56.05
BGL5	11,579	46.08	2,899,167	49.64	2,075,643	51.69
BGL6	2,362	32.07	692,239	35.93	308,408	40.55
BGF3	298	53.47	94,205	55.99	146,517	56.18
BGF4	11,889	49.21	1,216,197	53.10	2,196,168	54.14
BGF5	24,915	39.70	2,810,246	44.52	3,262,427	97.94
BGF6	3,835	27.71	1,326,307	30.46	1,259,110	34.95
BCR	32,499	51.68	1,613,777	54.25	935,167	54.59
CL1						
CL2			156	62.75		
CL3	1,505	62.59	454,113	62.54	7,311	62.85
CL4	98,337	61.98	10,728,574	61.58	891,274	61.64
CL5	55,910	58.41	14,712,918	58.40	9,045,542	58.31
CL6	11,752	51.10	6,076,517	52.06	9,358,413	53.13
CF2						
CF3			2,147	62.72	406	62.75
CF4	6,797	61.77	2,204,264	60.83	1,341,786	60.93
CF5	29,355	54.93	8,650,220	55.04	20,739,296	55.62
CF6	12,487	44.74	2,592,768	46.43	6,150,861	48.11
CK4						
CK5					3,607	49.48
CK6					14,164	26.87
CGL3			3,838	58.84	1,047	58.53
CGL4	575	55.50	120,226	56.48	280,353	56.61
CGL5	401	48.66	697,810	51.57	1,221,992	52.92
CGL6	753	34.03	400,418	36.07	560,780	41.55
CGF5	158	44.36	349,042	48.19	1,197,266	50.02
CGF6	92	28.51	368,961	32.57	827,395	37.07
CCR	2,553	51.90	241,942	53.43	225,267	54.11
XL2	219	57.79	362,983	58.03	7,973	58.07
XL3	2,553	55.78	5,638,015	55.68	2,843,752	55.86
XL4	689	51.73	6,413,385	51.19	5,039,536	51.88
XL5	551	46.42	3,957,209	41.87	4,177,419	45.38
XL6	13	26.77	1,072,373	29.20	1,692,565	35.50
XF3			3,336	43.72	5,206	49.56
XF4	59	44.75	335,838	46.51	267,021	49.02
XF5	157	35.00	828,600	37.38	912,240	41.83
XF6	280	23.26	758,424	24.19	1,055,119	30.38
XK4					446	41.10
XK5					1,627	30.51
XK6					2,922	16.36
XGL5	108	24.25	106,585	29.48	197,586	36.13
XGL6	85	16.75	192,157	20.45	286,487	24.32
NDL	143	5.70	344,341	7.50	1,517,383	9.94
NDF	1,331	10.30	259,099	7.59	760,913	11.99
NDM	779	9.83	75,185	11.47	155,971	13.71
NDK					3,795	2.91
NDG	4,551	12.44	903,387	10.22	1,501,863	12.86
SPF	45,128	38.67	9,208,124	34.17	18,462,923	35.52

TABLE F - 4

Tobacco Marketed According to Grade and Average Prices

1962-1963

Grades	Tobacco sold by Auction to the buying Companies		Processed Tobacco ^{1/}
	Pounds	Av. Pr. ¢ per pound	Pounds
BL1	1,855	66.74	3,857
BL2	302,280	64.78	73,634
BL3	3,732,620	63.08	574,949
BL4	9,148,020	60.56	1,416,911
BL5	6,551,139	58.69	539,437
BL55	499,904	55.32	93,579
BL6	260,099	54.15	46,892
BF2	144,208	65.08	36,067
BF3	3,217,573	63.50	628,934
BF4	9,767,526	61.14	1,415,332
BF5	10,385,557	57.68	1,096,726
BF55	2,783,009	52.45	779,485
BF6	1,646,879	46.37	825,895
BK3	2,623	56.33	4,908
BK4	55,707	50.07	34,567
BK5	134,757	38.68	98,446
BK55	5,835	30.64	2,859
BK6	50,173	20.71	32,360
BM4	16,817	58.68	11,046
BM5	231,965	53.78	153,199
BM55	52,564	46.01	31,664
BM6	402,712	37.41	336,727
BGL3	333,564	57.77	60,230
BGL4	1,606,318	55.49	101,703
BGL5	1,717,567	50.55	99,144
BGL55	181,685	44.91	68,135
BGL6	358,444	38.88	68,549
BGF3	238,818	56.25	10,740
BGF4	1,573,843	53.95	110,704
BGF5	2,932,915	46.93	627,497
BGF55	444,519	39.98	183,955
BGF6	956,234	33.64	831,409
BCR	1,322,603	54.12	88,566
CL1	1,864	63.21	
CL2	15,335	62.22	1,532
CL3	529,588	62.55	90,757
CL4	5,942,444	60.88	1,969,844
CL5	10,296,118	57.80	3,323,053
CL55	5,098,981	55.45	897,252
CL6	5,192,671	53.37	773,454
CF3	63,432	62.38	15,544
CF4	4,213,789	61.06	1,065,395
CF5	12,329,652	56.25	1,196,994
CF55	1,805,467	52.82	170,507
CF6	3,923,342	48.82	468,697
CK4	8,821	56.76	9,868
CK5	95,179	49.46	159,049
CK55	16,723	39.65	8,007
CK6	124,837	27.39	83,606
CGL3	17,613	58.64	3,364
CGL4	570,530	55.92	32,364
CGL5	1,451,787	51.93	233,425
CGL55	180,570	46.27	49,435
CGL6	479,879	40.06	95,602
CGF5	1,384,384	49.18	248,580
CGF55	98,954	43.68	47,469
CGF6	744,813	35.56	326,433
CCR	1,004,739	54.12	58,505
XL2	70,420	57.39	46,568
XL3	2,135,306	55.91	211,820
XL4	4,566,470	52.40	228,755
XL5	3,691,698	46.49	212,901
XL55	40,964	42.51	6,968
XL6	1,523,572	35.73	236,782
XF3	8,205	50.12	1,316
XF4	260,586	49.61	40,113
XF5	828,804	42.53	143,189
XF55	3,508	35.08	
XF6	1,175,005	30.67	
XK4	6,601	42.55	
XK5	17,687	31.60	
XK55	178	23.00	
XK6	23,016	16.78	
XGL5	300,864	34.77	
XGL55	4,027	29.73	
XGL6	160,455	23.52	
NDL	859,476	11.65	
NDF	240,586	11.24	
ND6	879,846	11.19	
NDK	2,146	10.40	
NDM	135,240	11.33	
SPF	22,651,954	29.55	

^{1/} This is the tobacco that after having gone 'no sale' once, was bought by the Local Board, paying the awarded minimum grade price.

TABLE F - 5

Comparative Results of the Production and Marketing
of 1958, 1959, 1960, 1961, and 1962 Crops ^{1/}

	1958	1959	1960	1961	1962
Tobacco Sold (lbs.)	173,213,818	143,703,752	198,898,722	182,962,258	156,235,682
Tobacco Sold (Treated with Maleic Hydrazide) (lbs.)		1,523,682			
Tobacco Consigned to the Ontario Flue-Cured Tobacco Growers' Co-operative (lbs.)	1,635,867	11,407	16,932	7,176,001	23,846,746
Estimated Tobacco Destroyed by Fire while in Barns (lbs.)	1,404,798	1,332,197	105,000	106,452	700,000
Tobacco not offered for sale (used for experimental purposes) (lbs.)	68,676	104,842	88,154	106,452	131,400
Total Known Production (lbs.)	176,323,159	146,675,880	199,123,808	190,815,352	180,153,140
Dollar Value of Tobacco Sold	82,394,702	81,526,536	109,593,194	95,919,256	91,947,009
Average Price per Pound	47.57¢	56.14¢	55.10¢	52.43¢	51.04¢
Measured Acreage of Crop	117,274	111,224	123,816	122,287	116,571
Average Production in Pounds per Acre	1,504	1,307	1,608	1,560	1,545
Dollars Return per Acre of Tobacco Sold	\$706.50	\$732.99	\$885.13	\$784.38	\$788.85
Auction time in days for each Exchange	100	72	83	128	102

^{1/} Source: Secretary's Report, to the Annual Meetings of The Ontario Flue-Cured Tobacco Growers' Marketing Board.

TABLE F-6

Volume and Value Sold for Year
1960-61 by Exchange and
Buyer

Exchange & Buyer	Tied			Loose			Total			Percentage of Total
	Pounds	Av. Pr. ¢ per pound	Pounds	Av. Pr. ¢ per pound	Pounds	Av. Pr. ¢ per pound	Pounds	Av. Pr. ¢ per pound	Pounds	
Delhi	2,997,890	61.25	66,378,123	55.73	69,376,013	55.97	34.88			
Tillsonburg	3,406,822	61.30	57,018,530	55.31	60,425,352	55.65	30.38			
Aylmer	2,882,492	60.02	66,214,865	53.51	69,097,357	53.78	34.74			
Total	9,287,204	60.89	189,611,518	54.82	198,898,722	55.10	100.00			
Imperial	642,557	57.42	97,398,727	55.17	98,041,394	55.19	49.29			
Hodge	238,085	54.32	19,755,647	54.23	19,993,732	54.23	10.05			
Canadian Leaf	2,169,220	61.32	28,263,021	51.70	30,432,241	52.37	15.30			
Consolidated	115	48.25	1,362,982	61.31	1,363,097	61.30	0.69			
Dibrell Bros.	329,532	63.26	8,380,677	55.60	8,710,209	55.89	4.38			
Leamington	116,937	51.65	13,766,559	53.67	13,883,496	57.66	6.98			
British Leaf	5,781,963	61.47	19,903,929	59.25	25,685,892	59.75	12.91			
Delta Leaf	8,685	37.51	779,976	27.64	788,661	27.75	0.40			

Source: Secretary's Report to the Fourth Annual Meeting of the Ontario Flue-Cured Tobacco Growers' Marketing Board, 1961.

TABLE F - 7

Volume and Value Sold for Year 1961-1962
by Exchange and Buyer

	Volume (in lbs.)	Average Price ¢ per pound	Percentage of Total
Delhi	64, 650, 530	53.38	35.34
Tillsonburg	62, 635, 099	53.29	34.23
Aylmer	55, 676, 582	50.23	30.43
Total	182, 902, 211	52.43	100.00
Imperial	59, 614, 337	52.05	32.58
Hodge	17, 582, 902	51.00	9.61
Canadian Leaf	37, 855, 342	50.61	20.69
Consolidated	1, 112, 833	60.07	0.61
Dibrell Bros.	13, 443, 040	46.07	7.35
Leamington	26, 544, 589	54.02	14.51
British Leaf	25, 460, 599	59.84	13.92
Delta	1, 342, 651	24.22	0.73
Sample Tobacco	5, 918		

Source: Secretary's Report to the Fifth Annual Meeting of
The Ontario Flue-Cured Tobacco Growers' Marketing
Board, 1962.

TABLE F - 8

Volume and Value Sold for Year
1962-63 by Exchange and Buyer

Exchange and Buyer	Pounds	Average Price cents per pound
Delhi	57, 639, 079	51. 14
Tillsonburg	53, 725, 944	52. 01
Aylmer	44, 870, 659	49. 38
Total	156, 235, 682	50. 94
Imperial	45, 236, 628	49. 67
Hodge	21, 914, 422	47. 97
Canadian Leaf	31, 990, 194	48. 05
Dibrell Bros.	7, 181, 301	49. 68
Leamington	26, 099, 642	53. 16
British Leaf	22, 411, 209	60. 10
Delta	1, 402, 286	22. 36
<u>Removed from Auction for Processing</u>		
Delhi	1, 146, 981	52. 17
Tillsonburg	6, 389, 865	52. 30
Aylmer	12, 309, 900	51. 35
Total	23, 846, 746	51. 77

Source: Secretary's Report to The Sixth Annual Meeting of
The Ontario Flue-Cured Tobacco Growers Marketing
Board, 1963.

TABLE F - 9

A sample of Minimum and Average Grade Prices
in cents per pound

Grade	1960 crop		1961 crop		1962 crop	
	Awarded Minimum Grade Price	Average Grade Price	Awarded Minimum Grade Price	Average Grade Price	Awarded Minimum Grade Price	Average Grade Price
BL3	62.00	62.39	62.00	63.16	61.50	63.08
4	59.25	60.14	59.50	60.45	59.00	60.56
5	54.25	57.77	55.25	58.19	56.00	58.69
6	41.75	49.27	44.00	52.34	49.25	54.15
BF4	57.50	59.45	58.00	60.94	59.00	61.14
5	49.00	55.05	50.50	57.25	54.50	57.68
6	33.50	42.37	35.50	46.86	43.00	46.37
CL4	61.50	61.59	61.50	61.64	60.25	60.88
5	58.00	58.40	58.25	58.31	57.00	57.80
6	50.75	52.06	51.50	53.13	51.75	53.37
XL3	55.00	55.68	55.50	55.86	54.75	55.91
4	49.75	51.19	50.75	51.80	50.50	52.40
5	39.00	41.87	40.25	45.38	43.25	40.49
6	25.00	29.20	26.50	35.50	32.50	35.75

Source: Reports of the Ontario Flue-Cured Tobacco Marketing Exchange.

APPENDIX G
STATISTICAL RESULTS

TABLE G - 1

Analysis of Variance, Grade BL5, In One Market

Source of Variation	d.f.	S.O.S.	MS	F
Total	59	230.73		
Treatment	11	91.98	8.36	2.89
Error	48	138.75	2.89	

TABLE G - 2

Analysis of Variance, Grade CF5, in One Market

Source of Variation	d.f.	S.O.S.	MS	F
Total	59	50.48		
Treatment	11	18.78	1.71	2.59
Error	48	31.70	.66	

TABLE G - 3

Analysis of Variance, Grade XL5, in One Market

Source of Variation	d.f.	S.O.S.	MS	F
Total	59	201.80		
Treatment	11	143.87	13.08	10.84
Error	48	57.92	1.21	

TABLE G - 4

Analysis of Variance, Grade XL4, in the Three Markets

Source of Variation	d.f.	S.O.S.	MS	F
Total	269	561.49		
a	2	38.13	19.07	91.90
b	89	486.43	5.47	26.34
Error	178	36.92	.21	

TABLE G-5

Analysis of Variance, Grade CL5, in the Three Markets

Source of Variation	d.f.	S.O.S.	MS	F
Total	269	94.62		
a	2	.71	.35	5.81
b	89	82.87	.93	15.03
Error	178	11.02	.06	

TABLE G-6

Analysis of Variance, Grade BL4, in the Three Markets

Source of Variation	d.f.	S.O.S.	MS	F
Total	269	707.75		
a	2	1.28	.64	2.00
b	89	649.34	7.29	22.73
Error	178	57.12	.32	

APPENDIX H

A SUMMARY OF RECENT EVENTS AND DECISIONS
IN THE MARKETING OF FLUE-CURED TOBACCO
IN ONTARIO SINCE 1964

A SUMMARY OF RECENT EVENTS AND DECISIONS IN THE MARKETING OF FLUE-CURED TOBACCO IN ONTARIO SINCE 1964

In the Introduction, it was pointed out that the main portion of the study is concerned with the marketing scheme formulated in 1957 and with the development of basic information on the organization of the marketing system for flue-cured tobacco from that time up to the completion of the 1962-63 marketing season. However, since almost three years have elapsed from the time of completion of this study, an attempt is made here to list and briefly discuss some of the changes and developments that have taken place during the last three years. Because changes and developments have been few, they will be discussed under separate headings.

Annual Tobacco Allotments

In 1964, the regulation concerning the allocation of annual allotments to producers was modified. Up until 1963, the first six acres of the base acreage were exempt from any cuts in acreage allotments. For example, an annual allotment of 60 per cent for a farm with 40 acres base acreage meant that the 60 per cent was applied only to 34 acres and not to the 40 acres. In 1964, the six acre exemption was reduced to a three acre exemption.

For the 1963, 1964 and 1965 crops, the annual tobacco allotments expressed as a percentage of the base acreage were 60, 45 and 55 per cent respectively.

In 1963, a crop of 179,000,000 pounds of tobacco was produced and the average price received by producers was 47¢ per pound.

In 1964, a crop of 136,000,000 pounds of tobacco was produced and the average price received by producers was 57¢ per pound.

Production Control

In the main body of the study, it was mentioned that there was a number of tobacco growers called "free-lancers" because they insisted on growing tobacco without having been granted "tobacco rights" by the Ontario Flue-Cured Tobacco Growers' Marketing Board. Since these "free-lancers" had applied to the Board for tobacco rights on a number of occasions and since their applications were rejected each time, they took their case to the courts. The end result was that, in April 1965, the Supreme Court of Canada upheld the regulations of the Tobacco Board. The result of this ruling was that, by 1965, the number of "free lance" growers had been reduced to one; what will happen to his crop of approximately 25,000 pounds remains to be seen at the end of the 1965-1966 marketing season.

The Levy Plan

In the body of the study, it was pointed out that, when the 1962-63 marketing season opened, a large amount of "no-sale" tobacco occurred. In order to remove this "no-sale" tobacco from the auction floor, a 2¢ per pound levy plan was instituted. This levy plan remained in effect during the 1962-63 marketing season. The subsequent crops have been sold under a straight open Dutch Clock auction system.

Surplus Tobacco

At the end of the 1963 marketing season, the Ontario Flue-Cured Tobacco Growers' Marketing Board had on hand a surplus of approximately 25,000,000 pounds of tobacco. This surplus has all been sold and since then, no surplus tobacco has accumulated.

