Tobacco-
marketing

O N T A R I O A G R I C U L T U R A L C O L L E G E

Department of Agricultural Economics

M A R K E T I N G

O N T A R I O T O B A C C O

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THE MARKETING OF ONTARIO TOBACCO.

Tobacco as a World Crop.

Tobacco can be grown under a wide variety of soil and climatic conditions. During the five-year pre-war period 11 countries produced over 50,000,000 lbs. each annually. In Europe it is grown principally in France, Austria, the Balkans and Russia. India is, next to the United States, the largest tobacco producer in the world. It is also grown in China, Japan, the East Indies and the Philippines. Brazil, the Argentine and other South American countries produce limited amounts. Nyasaland and Rhodesia are Canada's chief competitors from Empire sources on the British market. Tobacco is produced in limited quantities in a great many other sections of the Globe. The United States Department of Agriculture lists 44 countries as reporting on Tobacco production.

The total annual world production for the period mentioned above has been estimated at 2,843,630,000 lbs. with production distributed as follows:

United States	35 per cent.
India	16 " "
Russian Empire	9 " "
Dutch East Indies	6 " "
Hungary	6 " "
Other Countries	28 " "

World production is increasing rapidly. It is estimated that the average annual tobacco crop for the years 1920-22 was 3,714,000,000 lbs. The amount produced in Ontario last year, estimated at 20,000,000 lbs., is, therefore, microscopic compared to the total, being slightly over one-half of one per cent of the world's crop. The exportable surplus is also, as we shall see, but a small fraction of the competing grades in the world's markets.

The United States is, of course, by far the largest tobacco producing country in the world. The first settlers found the Indians growing tobacco from Canada to as far south as Brazil and practising the fundamental principles of production and curing that are now followed. The early Spanish settlers established an export tobacco trade and later it became the leading article of exchange between the English settlers in Virginia and Maryland and the Mother Country. The tobacco industry steadily developed until now it ranks next in importance after cereals, hay, forage and cotton. The census of 1919 showed that tobacco furnished 3 per cent of the farm revenue of the United States.

The following table gives some idea of the growth of the tobacco industry of the United States during the last half-century.

Year	Acreage	Production	Farm Price per Lb.	Farm Value	Exports Unmanufactured
1879	639,000	506,663,000	6.0¢	30,200,000	Not available
1889	695,000	457,881,000	6.9	31,696,000	" "
1899	1,102,000	802,397,000	7.1	57,273,000	" "
1909	1,295,000	1,055,133,000	10.1	106,374,000	357,196,074 lbs.
1919	1,951,000	1,465,481,000	39.0	570,868,000	648,037,655 "
1920	1,960,000	1,582,225,000	21.2	335,675,000	506,526,449 "
1921	1,427,000	1,069,693,000	19.9	212,728,000	451,888,436 "
1922	1,695,000	1,246,837,000	23.2	289,248,000	445,186,472 "

Of the world's production the United States produces one-third and of this one-third is produced by the State of Kentucky. The leading tobacco county in the country is, however, said to be Lancaster, Pennsylvannia, from which the first Mennonite settlers of Waterloo county came.

Tobacco Marketing Methods.

Three general methods of marketing tobacco are practised in the United States - the Auction System, Farm Selling and Cooperative Marketing. Farm Selling is confined largely to the cigar leaf section of Wisconsin, Ohio, Pennsylvania, Florida, Georgia and the Connecticut Valley. The Auction system is practised principally in the Carolinas, Virginia, Kentucky, Maryland and West Virginia. Organizations for cooperative marketing have been established in most of the tobacco growing sections.

The following description of the loose-leaf auction system is taken from the United States Department of Agriculture Year Book 1922.

"As a rule the tobacco is taken to the loose-leaf auction market on the laths, where each lot is stripped from the laths and placed into a large flat-bottomed basket. The baskets containing the tobacco are then weighed and arranged according to quality in rows on the floor

of a loose-leaf auction sales warehouse. In some markets, instead of using baskets, the lots are merely weighed and placed in piles on the floor of the warehouse. On each basket or pile is placed a ticket showing the name of the farmer who owns the tobacco, the number of pounds contained in the lot, and the consecutive number given to the lot. The tobacco is then sold in piles or lots ranging from 10 to 1,500 pounds to the highest bidder at public auction. As the sale proceeds from basket to basket a clerk of the warehouse enters on each ticket the price per pound at which the tobacco is sold, the name of the buyer, and the grade assigned to the lot by the buyer. As a rule, the buyers for the large companies are governed in their bids entirely by their private grades, so it becomes largely a matter on the auction floors for the buyer first to determine to which of his grades, if any, a certain lot of tobacco belongs. Having determined the grade, he knows the limit that his company allows him to bid on the lot. Each buyer or manufacturer has for his own use a private system of grades. After the tobacco once leaves the farmer's hands it is handled almost entirely by grade.

"In some of the larger markets the sales proceed very rapidly. In many markets the local board of trade requires the auctioneer to sell as high as 240 lots of tobacco in an hour's time. After the sale is over the farmer has a right to refuse the price offered, in which case he can either have the tobacco put up at auction the second time or have it removed from the warehouse for sale elsewhere. If the price offered is accepted, the auction-sales warehouseman renders the price of each lot sold, and gives a check for the total amount to the sale, less the warehouse charges, which usually include an auction fee, a weighing charge and a commission for selling.

"Each buyer removes the tobacco purchased by him from the auction-sales warehouse to a redrying plant or packing house, where the tobacco is placed in a safekeeping condition and packed into hogsheads, ready for storage or shipment. A large percentage of the tobacco is bought direct by the manufacturer, in which case the tobacco, after being conditioned and packed, is usually shipped to the private-storage warehouse of the manufacturer, where it remains in storage until it is ready to be manufactured. The large amount of tobacco bought for export trade is shipped abroad for storage. Most of the independent buyers have their tobacco stored in public storage warehouses, where the tobacco is held for resale. In such cases tobacco is usually resold on samples which are taken from the hogsheads of tobacco while in storage."

The Cooperative Plan.

Tobacco is delivered to the cooperative warehouse in the same manner as to the loose-leaf auction warehouse. The ticket used has three parts, weigher's coupon, buyer's coupon and warehouse receipt. A warehouse clerk marks on each part of the ticket the number of the basket, the grower's name, the landlord's name and the weight. The baskets are placed in rows ready for the grader. The grader pulls out several samples from each basket in order to get a fair idea of the quality of leaf and calls out the grade to a clerk who marks it on each part of the ticket. If the tobacco has already been sold the buyer's initials are placed on the buyer's coupon. The weigher's coupon and warehouse receipt go back to the office. The warehouse receipt goes to the grower, arrangements being made by which he receives approximately 40 per cent of the value of his tobacco as an initial payment. Interim and final payments are made to growers as sales from the various pools are made.

Tobacco Production in Canada.

Tobacco has been grown in Canada for many years. In Quebec a great deal has been constantly grown for local consumption, but most of the export types are grown in Ontario. In the eastern counties the French Canadian settlements grow considerable amounts of the type produced in Quebec but it does not enter into manufacture or export trade to any extent.

The acreage of tobacco, total yield and yield per acre for Ontario and Quebec since 1920 are given in the following table:

Year	Acreage			Lbs.			Lbs. per Acre.		
	Ont.	Que.	Total	Ont.	Que.	Total	Ont.	Que.	Total
1920	19621	17252	36873	19279246	13365519	32644765	983	775	885
1921	6663	9958	16621	7121962	6127000	13248962	1091	1166	1124
1922	9189	16573	25762	11031870	14915700	25947570	1201	900	1007
1923	8630	15302	23932	10797000	10500000	21297000	1251	680	890
1924	13273	8044	21317	12135000	6575740	18710740	914	817	877
1925	18261	9554	27815	20623000	8632000	29255000	1130	903	1051

It will be noticed that the impossibility of selling the crop of 1920 resulted in a reduction in acreage in 1921 to one-third of the 1920 acreage in Ontario and to about one-half the 1920 acreage in Quebec. The acreage jumped up again in 1922, fell slightly in 1923 but since then has been rapidly increasing in Ontario.

In the last fiscal year 14,171,678 lbs. of tobacco were imported for consumption in Canada. This is the lowest amount imported for many years. The following table shows the imports from the principal countries for the last nine years.

TOTAL IMPORTS OF TOBACCO FOR FISCAL YEARS 1917-25.

Year	United Kingdom	Cuba	Nether-lands	United States	Other Countries	Total
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
1917	374,908	783,714	118,499	17,174,106	44,627	18,495,854
1918	366,920	1,019,173	83,129	17,208,428	31,076	18,708,726
1919	154,414	787,017	10,776	24,742,742	31,523	25,726,472
1920	221,059	939,753	169	23,775,958	45,204	24,982,143
1921	266,098	818,141	119,880	19,348,484	51,560	20,604,163
1922	254,069	977,742	28,611	20,064,323	35,924	21,360,669
1923	306,220	1,044,576	361,569	13,237,322	118,688	15,068,407
1924	304,628	1,086,505	376,918	14,589,566	104,582	16,462,199
1925	356,087	1,101,922	128,906	12,483,405	101,558	14,171,678

The great bulk of the above imports were of unmanufactured leaf. An analysis of the imports for the last fiscal year shows how little this country imports of manufactured tobacco, especially of cigars and cigarettes, which are mostly manufactured in Canada for home requirements.

IMPORTS OF TOBACCO FOR CONSUMPTION IN CANADA, FISCAL YEAR ENDING MARCH 31, 1925.

	United Kingdom	Cuba	Nether-lands	United States	Other Countries	Total
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
Unmanftd.	98,432	1,086,373	128,906	12,335,687	63,487	13,712,885
Cigars	254	15,349	------	696	322	16,621
Cigarettes	29,447	------	------	11,533	1,135	42,115
Snuff	2,730	------	------	2,832	------	5,562
Cut	159,173	------	------	126,790	36,403	322,366
Other Mfg.	66,051	------	------	5,867	211	72,129
Total	356,087	1,101,922	128,906	12,483,405	101,558	14,171,678

As the table shows the great bulk, 96.76 per cent, of the tobacco imported into Canada (by weight) is in the unmanufactured condition. The chief imports of the manufactured product are of special brands of smoking tobacco from England and the United States. Meanwhile the exports of tobacco from Canada are by no means inconsiderable and are rapidly increasing. For the last six fiscal years they are as follows:

EXPORTS OF TOBACCO FROM CANADA FOR THE FISCAL YEARS 1920-1925.

Year	Canadian Produce	Foreign	Total
	Lbs.	Lbs.	
1920	3,555,809	486,451	4,042,260
1921	289,273	17,814	307,087
1922	509,893	71,869	581,762
1923	1,163,994	16,961	1,180,995
1924	2,198,112	78,353	2,276,465
1925	3,680,507	112,695	3,793,202

The above figures do not include exports of stems and cuttings, low value waste product of which a considerable tonnage is exported for the manufacture of nicotine substances. It will be noticed that the exports of tobacco have been increasing rapidly since the low years 1921 and 1922. Figures for the first five months of the current fiscal year and heavy buying by British importers indicate that the rate of increase is continuing. Of the 1925 crop approximately 5,000,000 lbs. will find outside markets.

The following table shows the different classifications of tobacco exported in the fiscal year 1925.

EXPORTS OF TOBACCO FROM CANADA, FISCAL YEAR ENDING MARCH 31, 1925.

	United Kingdom	United States	Other Countries	Total Lbs.	Value
Unmanuftd.	2,219,109	10,868	1,301,445	3,531,422	$ 733,166
Cigars	424	----	1,375	1,799	5,757
Cigarettes	150	72	92,626	92,848	48,649
Plug & Twist	----	411	8,851	9,262	6,283
All Other	450	35,554	9,172	45,176	65,294
Total	2,220,133	46,905	1,413,469	3,680,507	859,149

In addition to the above Canada exported $44,943 worth of foreign tobacco and $20,220 worth of stems and cuttings, making the total $924,312. Leaving the exports of foreign produced tobacco out of consideration we have a total of exports of the domestic article of $879,369. Against this the imports for domestic consumption during the year amounted to $7,014,539, a balance against Canada of $6,135,170 for the year.

Manufacturing of Tobacco in Canada.

As the previous tables show, most of the tobacco consumed in Canada is manufactured in this country. Reports of the Dominion Bureau of Statistics show that in 1923 there were 148 factories, employing 8700 people, manufacturing tobacco in this country. The total value of the output was placed at $59,840,010, of which $53,708,024 was manufactured in Quebec, $5,601,677 in Ontario, $333,012 in the Western Provinces and $197,297 in the Eastern Provinces. The following table contains information gleaned from the 1923 report on the Tobacco Manufacturing Industry and assembled in the form of a Financial Statement. It represents the total costs of operating the 148 factories reporting.

COST OF MANUFACTURING TOBACCO IN CANADA, 1923.

Merchandise Cost of Goods:			
Imported Raw Leaf	$9,415,291		
Domestic Raw Leaf	4,519,690		
All Other Tobacco	21,236		
Total Raw Tobacco		$13,956,217	
Other Ingredients		816,487	
Total Merchandise Cost of Goods			$14,772,704
Manufacturing Costs:			
Salaries	2,956,689		
Wages	4,610,984		
Fuel	135,001		
Miscellaneous	5,982,407		
Total Manufacturing Costs			13,685,081
Wraps, Containers, Etc.			
Lead and Tinfoil	276,775		
Cigarette Paper, Cigar Bands	172,854		
Cigar Boxes	540,311		
Shipping Cases, etc.	319,089		
Boxes, Cartons, Wraps, Label	766,358		
All other material	103,387		
Total Wraps, Labels & Containers			3,178,774
Customs and Excise:			
Customs on Imported Leaf	6,208,399		
Excise on Domestic Leaf	31,181		
Excise on Manufactured	322,954		
Excise on Smoking Tobacco	2,591,017		
Excise on Chewing & Snuff	1,447,312		
Excise on Cigars	915,116		
Excise on Cigarettes	13,884,488		
Total Customs and Excise			25,400,467
Total Cost of Manufactured Tobacco			$ 57,037,026

Value of Manufactured Tobacco $59,840,010

The amount of capital invested in the industry is given as $44,348,333. Of this only $8,213,094 was in fixed assets such as land, buildings, fixtures, machinery and tools. The balance, $36,133,239, was in materials on hand, stocks in process, cash, and trading and operating accounts.

Some idea of the cost of the raw leaf to the factories and of the prices received for the manufactured product is shown by the following table:

	Lbs. Used	Price Paid	Price per lb.
Imported Raw Leaf	15,234,855	$9,415,291	61.8¢
Domestic " "	15,259,693	4,519,690	29.6¢

Products	Lbs. Manufactured	Value	Value per lb.
Chewing - Plug	5,707,632	$5,711,878	$1.0007
" - Other	356,671	372,372	----
Smoking - Plug	3,134,342	3,393,820	1.0827
" - Package	11,247,195	13,595,674	1.2088
" - Twist	55,348	27,248	.4923
" - Leaf	4,015,006	1,272,575	.3169
" - Other	19,000	7,760	.4084
Snuff	724,429	872,985	1.2050
Cigars (Number)	174,286,000	10,442,351	.0599 each
Cigarettes "	2,079,036,000	23,964,031	.0115 "
Stems and cuttings		25,425	
All Other Products		153,891	
Total		59,840,010	

The values given in the above table are, of course, factory values. The price to the consumer would include these values plus the cost of distribution through the wholesale and retail trades. The per capita consumption of tobacco in Canada is given by the Canada Year Book as 3.12 lbs.

Tariff and Excise Duties and Sales Tax.

As shown in the table giving the Cost of Manufacturing Tobacco in Canada for 1923, the customs and excise taxes on tobacco collected from manufacturers was $25,400,467. This does not take into account manufactured tobacco products imported. The present rate of tariff and excise imposts is as follows:

(Import Duties on Tobacco Entering Canada)

Duty on raw leaf unstemmed 40 cts. per lb.
" " " " stemmed 60 " " "
" " cigarettes $4.10 per lb. plus 25% of invoice value.
" " cigars $3.90 per lb. plus 25% of invoice value.
" " smoking tobacco 95 cts. per lb.
" " chewing tobacco or plug tobacco 90 cts. per lb.
" " snuff 90 cts. per lb.

Rebates on duty paid are allowed when imported raw leaf is manufactured for export.

(Excise Duty on Manufactured Tobacco)

On smoking mixtures 20 cts. per lb.
On cigars $3.00 per M.
On cigars in boxes of 5-6 $4.00 per M.
On cigarettes weighing less than 3 lbs. per M. $6.00 per M.
On " " 3 lbs. or over per M $11.00 per M.

A sales tax of 5% is levied on all tobacco. On the home manufactured product the tax is levied on the wholesale value. On imported manufactured tobacco the 5% sales tax is levied on cost of goods duty paid.

Tobacco Growing in Ontario.

The tobacco growing industry of Ontario is almost as old as settlement in Essex County. Before the advent of the railway, tobacco was grown by the settlers, not only for their own use, but also for shipment to other districts. Old residents recall that sixty-five years ago tobacco was grown and sold to merchants at the lake ports who packed it in hogsheads and shipped it in schooners to the province of Quebec.

The industry has been served for fifteen years by the experimental tobacco farm at Harrow. This farm is under the supervision of the Tobacco Division of the Dominion Experimental Farms' system. The division and the farm at Harrow are manned by tobacco experts, chiefly men who were trained in the tobacco growing sections of the United States and their work is deserving of the highest commendation. The technique of growing and preparing the product for market is well known to these experts and valuable work is being done as to types and varieties of tobacco, the soil they will do best on, preparation of the soil, use of fertilizers, the handling of the growing crop and finally its preparation for market.

The soil and climatic conditions exist in Ontario for the great expansion of tobacco growing. Not only can the tobacco acreage in Essex and Kent Counties be greatly increased but the tobacco growing area is now rapidly moving eastward. During war and post-war years large acreages were planted but curtailed production was forced as a result of the collapse of the tobacco market in 1920. Production is now rapidly increasing and moving eastward again. The following table shows the area and yield for 1925 as estimated by the Tobacco Division of the Dominion Experimental Farms.

AREA AND YIELD OF TOBACCO IN ONTARIO - 1925.

County	Burley	Flue Cured	Green River	Dark Fired	Rustica	Total of all types
	acres	acres	acres	acres	acres	acres
Essex	4194	6767	1805	.5	73.5	12,840
Kent	2919	39	1145	323	45	4,471
Elgin	172	459	145	---	13	789
Other Counties	55	66	40	---	---	161
TOTALS	7,340	7,331	3,135	323.5	131.5	18,261
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
Estimated yield per acre	1,285	855	1,385	1,410	950	1,130
Estimated Production	9,432,000	6,268,000	4,342,000	456,000	125,000	20,623,000

Norfolk grown tobacco captured the majority of prizes at the Fair at Chatham this winter. In all four Lake Erie counties, Essex, Kent, Elgin and Norfolk, the extent of potential tobacco soils is so great that soil is not and will not be a limiting factor in production for many years.

The activity which at present characterizes the tobacco industry is partly due to the general improvement in the markets of most farm products. Production was greatly curtailed during the period of depression but the surplus produced during boom years has been depleted and a recovery to normal production would under ordinary conditions be expected.

The most important factor in the recovery of the market, however, is the new interest in exports to Great Britain. This is due to the very substantial preference given by the British government to Empire grown leaf. The standard rate tobacco duty is 8s.2d. per lb., but Empire grown leaf has a preferential treatment amounting to 2s. per lb., or approximately 49 cents. In other words while foreign tobaccos are taxed approximately $2.00 per lb. when entering Great Britain, tobacco from the Dominions is taxed approximately $1.50 per lb.

The result of this substantial preference is that great activity prevails in the tobacco growing industry throughout the Empire. On October 20, 1925, The Times, of London, issued a tobacco supplement containing a very comprehensive survey of tobacco growing throughout the world. Special correspondents reported conditions in the following British countries: India, Union of South Africa, Southern Rhodesia, the West Indies, Nyasaland, Canada, Australia, East Africa and North Borneo. Several of the correspondents mentioned the British preference as the chief stimulating factor in the present growth of the industry.

Canada is in a favored position, as compared with other parts of the Empire, for taking advantage of the preference given by the British government. H.A. Freeman, Tobacco Specialist of the Tobacco Division of the Dominion Experimental Farms, attended the British Empire Exhibition at Wembley and the International Tobacco Show at Olympia in 1925 and reported in part as follows .... "It can be definitely said that Canadian leaf tobacco, clean and sound, well graded and well packed, is greatly preferred in every tobacco manufacturing plant of importance in the British Isles to leaf from any other part of the Empire. The British manufacturer will pay a few cents per pound more for Canadian leaf than for leaf of equal appearance from other parts of the Empire. This can be carried too far, however, and should be relied upon, not to get business, but as a favorable point from which to get a start. All British manufacturers and leaf merchants are agreed that Canadian leaf is more similar to American leaf than is the Nyasaland and Rhodesian leaf. They invariably said that in their manufactured tobacco blends where African tobaccos were used very small amounts are noticeable, sometimes as low a quantity as ten per cent could be detected, while with Canadian leaf high proportions could be used in blends without being detected. This is very important since the great proportion of the tobacco used in the British Isles for the past 200 years has come from the United States, the consumers' taste is educated to it, and therefore, for a tobacco to make much headway it must be able to substitute for American tobacco, or else public taste must be educated to the taste of the new tobacco."

Growth of Industry Depends on Exports.

The expansion of the tobacco industry in Canada depends very largely upon exports. The Report of the Tobacco Industry for 1923, issued by the Dominion Bureau of Statistics, shows that in that year 15,259,693 lbs. of domestic raw leaf and 15,234,855 lbs. of imported raw leaf were used. Reduction in the amount imported over a period of years indicated that a greater proportion of domestic raw leaf is being used each year. However, the variety of consumers' tastes in Canada demands the importation of large amounts of foreign grown leaf since this country cannot produce all the types needed to satisfy these tastes. Analysis of the statistics of United States

exports of raw leaf by types to Canada in 1924 shows that 4,180,000 lbs. of varities of leaf that are not grown in Canada are supplied by United States. Moreover, the imports into Canada of raw leaf from countries other than United States amounting to 1,400,000 lbs. represent largely types of tobacco not grown in Canada but necessary for Canadian trade. Thus nearly half of our present import of raw leaf (13,700,000 Lbs.) cannot be supplanted by home production. In addition it is hardly to be expected that our home grown leaf can entirely supplant generally similar types imported from United States because of the narrower ranges of quality and variety within the types as contrasted with United States' production. Even the United States with her wide variety of production finds it necessary to import about 70,000,000 lbs. of foreign grown leaf to add to her 500,000,000 lbs. of home grown leaf to supply the tastes and demands of her consumers. We can look, therefore, to our home market for a relatively small consumption of the future increases in production of our commonly grown varieties. As a matter of fact, since Canada in 1924 imported only 180,000 lbs. of Burley and the same amount of Green River in 1924, any increased volume of production of these two varieties must find an export market for practically all the increases. Let us assume that for 1925 the yield of tobacco in Ontario was 20,000,000 lbs. and that of this 5,000,000 lbs. will be available for export after domestic requirements have been satisfied. Should the production be doubled, even after allowing for an increased domestic consumption of 5,000,000 lbs., there would still be left for export 20,000,000 lbs. That would mean that in order to double our production exports would have to be quadrupled.

The possibilities, then, for Ontario to expand her tobacco production are bright but there is grave danger of expanding too rapidly. The English tobacco smoker is a critical judge of tobacco blends and the British manufacturer besides being proverbially conservative in his methods may be counted upon to jealously guard the reputation of his brands. The matter of quality becomes one of first importance. This is emphasized by Mr. Freeman, who states in the report quoted from above: "Considerable quantities of all leaf shown at Olympia could have been sold at good prices. Of course, it must be remembered that the samples shown were carefully selected and prepared and nothing but good leaf tobacco was shown. Before the whole Canadian crop is up to that standard a great amount of educational work must be done in the fields and in the stripping and grading rooms on the farms, with the tobacco growers. The Canadian packers and exporters of leaf tobacco must also do their full share in this work and theirs is a very important share. However, it is doubtful if there is a bigger problem to be solved or more necessary work to be done if the Canadian tobacco industry is to take full advantage of the opportunity and position in which it is placed at the present time by the Imperial preference."

An executive of the Imperial Tobacco Company, Montreal, stated when interviewed that there is the gravest danger of overproduction, especially of poor leaf. His company will buy good leaf but cannot handle quantities of poor stuff to the Old Country market. The Old Country blender, he stated, was very particular about his blends and would not buy unless the quality was just right. Farmers, he believed, should be given all the instruction possible on growing and handling. He cited the case of a man East of Leamington who went to great expense in erecting flue barns but who found that his land was wet bottomed and unsuitable for flue tobacco with the result that he lost money; in 1925 his flue-cured tobacco was worth only 23 cents, or about half the average price for the season. He stated that the man from Norfolk County who won the most prizes at Chatham this winter is from North Carolina where he has had a lifetime experience in tobacco production and knows just how to handle the crop. In his opinion a man should have a flue barn for every five acres of crop and should thoroughly master the process of flue curing before he builds the second barn. He was of the opinion that the use of a soil survey, together with a policy to encourage production only on the most suitable lands would greatly assist in the gradual and sane development of the industry. Hasty increases with a large proportion of inferior quality leaf grown by inexperienced growers on unsuitable soils would be disastrous and would result in a repetition of the experience of 1920 and the following years from which the industry is just recovering.

An interesting sidelight was thrown on the subject by A.R. Breedlove, Sales Manager of the Tri-State Tobacco Growers' Cooperative, with headquarters at Richmond, Va. This is an inter-state pooling association handling a considerable proportion of the tobacco crops of Virginia and North and South Carolina. The "Old Belt", consisting of the low coastal plains, is the oldest tobacco producing region on the continent. Mr. Breedlove said, "British importers prefer tobacco from the 'Old Belt' and will only take Canadian or other leaf when it is up to a certain standard of quality and they can get it cheaper. Up in Canada you will have to build steadily and surely or you will meet with disaster."

Expansion by Types.

The foregoing discussion deals with all three of the types commonly grown in Ontario, Bright, flue cured; Burley and Dark (Green River). In some respects these types differ from each other in respect to their possibility of expansion. Recent changes in consumers' habits have greatly increased the use of cigarette types with some corresponding decline in the use of plug smoking and chewing tobaccos and in cigars. Bright flue cured is the most important of the cigarette types of tobacco. Burley is used for the same purpose to some extent while the dark tobaccos enter more largely into the tobaccos whose use is relatively declining. Bright flue cured is the type most largely imported into Canada, comprising

nearly 70 per cent of our total imports. As the imports of Burley and Green River are now very small there are greater prospects of acquiring a larger share of the home market for flue cured. Moreover this type is the chief import leaf into Great Britain from the United States. In so far as Canada can supplant the United States with this type of leaf in that market the possibility of expansion is great. Moreover, if by equal quality, Canadian leaf of this type does capture any large share of this market, there is less danger of declining prices causing a serious decline in acreage of flue cured. This type is grown almost entirely on soils that usually cannot be profitably devoted to other farm crops. They are generally too infertile for successful growth of any other very high value crop that might supplant the tobacco when the latter reaches low price levels. If, as is quite likely, the future expansion in this type should be in the region east of Kent County, on cheap soils, even the most drastic declines would still leave a margin of return to the producer greater than any other kind of production immediately possible. Moreover, the necessity of rather large expenditure for flue barns and the necessity of engaging expert curers as part of the labor supply tends to put a brake on the rapidity of expansion of this type. Control of this kind is not so effective with the Burley and Dark types. However, this particular type of tobacco is most sensitive as to soil, and its quality is most easily modified by cultural methods in production and curing. Therefore, though its expansion holds out the most hope from the quantity market standpoint, it contains the most elements of danger from the quality standpoint so essential to establish the quality market.

As intimated above any further expansion of production of Burley and Green River will have largely to find an export market except for such amounts as the normally increasing home market may absorb or as our own consumers' tastes may be changed to take. Quality derived from suitable soils and correct producing methods will be the only basis on which this export market can be obtained. In those sections of the United States devoted to the production of these types overproduction and low prices now exist. This is particularly true of the Dark tobacco sections whose product is meeting a decreased demand on account of the decline in chewing and Dark tobacco smoking habits of people the world over. Only the existence of the British preference and the consequent stimulation from Britain has permitted our growers the favorable price received for the 1925 crop.

These two types are grown in South Western Ontario on soils and in areas adapted to the production of a wide range of products many of which have a high value per acre. Corn, beans, early vegetables, sugar beets and a profitable hog raising enterprise are the products with which Burley and Dark tobacco must compete for land. Moreover, these types do not require such a large fixed investment of special capital in buildings as does the flue cured type; the land devoted to them may occupy consistently a place in the rotation commonly practised over the whole farm. As a consequence whenever a period of depressed prices for these types arrives the

acreage planted can be violently reduced at little immediate loss to the grower on account of the relatively high value of the alternative crops. This process, however, has a disastrous effect on the market acquired in the period of good prices, failure to send forward the customary quantity being the surest method of losing a market.

This characteristic constitutes the chief difference in the production of these two types between Ontario and the competing areas in United States. In all the latter areas tobacco production has by long custom become the established crop. To desist from production on account of low prices entails revolutionary changes in farm practices and customs that are difficult to make. Many of these areas have few alternative products of high acre value to use on the abandoned tobacco acreage. Their labor resources and skill and their systems of land tenure are built up around a tobacco culture. These cannot and are not easily changed. In the periods of low prices for tobacco there is arrested expansion and even reduction of tobacco acreage, but not the violent reduction so likely to occur in Ontario under similar price declines.

Thus we see that though the most important consideration in the safe expansion of this crop is quality - quality derived from soil, cultural methods and curing - that there are some differences between the types in their reaction to producing conditions and market demands. There are larger opportunities for finding markets for flue-cured types, and once established there is less danger of losing the market by failure to produce the customary supply but the extreme sensitiveness of this type to soil conditions and to curing practices makes it difficult to produce a large proportion of good quality leaf in the increase. With Burley and Dark types, the world's markets are more saturated with these types; the British preference is a real advantage that would enable the market to be captured, but once acquired there is the further danger of failure to supply it at low price period.

Farmers Must Improve Handling Methods.

Practically all of the primary receivers of tobacco in Ontario were interviewed. With one exception they were in favor of more attention to the proper harvesting and handling of the crop. The concensus of opinion was that many of the growers fall down badly in their technique from the time harvesting commences until delivery to the warehouses. It is now the custom to sort into two classes. A few of the lower leaves called, "Sand leaves", are stripped off and kept separate, the rest of the leaves being all put up together. Receivers are almost unanimously in favor of at least three classifications. Various names are suggested for the three classes, such as leaves, lugs, and trash; short, long and sand leaves; dark leaves, bright leaves and sand leaves.

In the United States the growers sort out their tobacco into numerous classes whether it is to be sold on the auction floors or through the cooperative pools. The Burley Tobacco Pool of Kentucky has six major grades, each of which has seven subdivisions. Growers regularly class their own tobacco into the major grades when stripping. There is no reason, therefore, why Ontario growers should not class their tobacco into the three classifications preferred by the receivers, provided the price received remunerated them for the extra work involved.

The Tobacco Division of the Experimental Farms is working on standard grades. In this they are not receiving the undivided support of tobacco receivers and manufacturers who claim that the minute preferences as to quality, aroma, moisture content, etc., shown by blenders make standard grades impossible. The United States Department has not up to the present been successful in providing recognized standard grades but is endeavoring to do so.

F.C. Stone, General Manager of the Burley Tobacco Growers' Association of Kentucky, stated that his organization had recently sold 75,000,000 lbs. of tobacco on grade without the buyers seeing it. His classifications were so well established that they were recognized both by financial institutions which advanced money on tobacco in storage and by the large tobacco buyers. He claimed that tobacco grades could be established as readily as grades of cotton and of wheat.

Resources for Intelligent Direction of Expansion.

So much has been said about the dangers of rapid expansion of production that it is desirable to take note of the responsibility of the various parties for the safe direction of expansion. These are producers, the buyers, and the government agencies which participate either in experiment, education, statistics or control in the industry.

The producers in their own interest as individuals must not neglect any opportunity to inform themselves of the best methods to be used in production, and to exert every effort to put these methods into practice on the best soils available for the production of good leaf. Those whose farms do not contain the most suitable soils, in their own interest, should not embark into this business because their returns will be disappointing. Their immediate duty in their own interest is to demonstrate that they can produce a permanent supply of consistently good leaf. If they cannot do this then no marketing machinery no matter how perfect will be of any avail. If they can make this successful demonstration then improvement of the marketing system by producer organization or through producer-buyer cooperation can be worked out without the dangers attendant on such experiments at a time of expanding acreage and the coming in of inexperienced producers.

The responsibilities of the buyers are: (1) to pay to growers of high quality leaf such premiums over average price as the eventual sale price of this leaf will justify and to cut the price to the prowers of poor tobacco to the lowest point possible under the ruling competitive buying conditions - this is the most effective method of improving general quality; (2) to give the growers the fullest advantage of their knowledge of cultural methods and their effect on quality; (3) to export only such quality of product to each of the markets as will permanently establish the reputation of Canadian tobacco on these markets; (4) to adopt such standard grades as the peculiarities of the product will permit. With as full discharge of these responsibilities as is possible under keen competitive buying conditions the present marketing system will effectively serve its purpose during the expansion period, and the farmer will be assured of as high a return as the world supply and demand will justify.

The various public agencies have also important functions to discharge. The Tobacco Station at Harrow has conducted valuable experimental and research work over a period of fifteen years. The men in charge have done what they could in making the results of this work available to the growers. The facilities at their disposal for extension work among growers are, however, totally inadequate. With the rapid extension eastward of the tobacco growing sections the inadequacy of their extension facilities will become more and more pronounced. Extension work is recognized as a function of the Provincial Department, exercised chiefly through its agricultural representative branch. Specialized crops are becoming more and more a feature of the tobacco growing counties, actual and potential. The Agricultural Representatives in these counties recognize that they will be called upon to give more and more attention to specialized crops, the most important of which will doubtless be tobacco.

A soil survey has been made over a large section of the actual and potential tobacco acrea by the Chemistry Department of the Ontario Agricultural College. Steps are being taken to complete this work and make it available for the assistance of growers in locating desirable acreages.

All the competent extension resources of the Federal and Provincial Governments might be profitably organized at once to help direct this expansion along safe lines.

The statistics compiled by the Department of Trade and Commerce are hardly adequate, particularly as to the amounts of the various types of raw leaf imported and exported, and as to origon and destination of these products. All leaf is now grouped under one heading and in view of the difference in market and production characteristics of the various types a modification of these statistics is vital to a correct direction of production of the various types.

To summarize the whole situation the authors of this report cannot do better than present the following considerations presented by Mr. Harold T. Pooley, General Secretary of British Empire Producers' Organization, in the Tobacco Supplement of the London Times, October 20, 1925:

(1) The heavily entrenched position of the established foreign tobaccos in this country, and the consequent need for security to the infant Empire industry. The response of production to the preferences given is evidence of this.

(2) That preferences, to be really effective, must be intra-Imperial, and not only in this country. The British preference should be a beginning; hardly any Dominion or Colony gives a preference to Empire leaf. This is of the first importance.

(3) That scientific and technical research supported by the Governments concerned must be a first consideration, and the most minute attention given to the nature of soils, their effect upon the aroma of various types of plant, and particularly - a vital matter and not by any means sufficiently appreciated - the effect of soil upon aroma according to the time the plant takes in growing.

(4) That every advantage should be taken, by publicity and otherwise, of the existing strong feeling in favour of Empire goods.

(5) That definite brands are essential, and that growing for such brands must be consistent in every detail; that skilful blending of tobaccos from Empire sources should be carried out to appeal to existing tastes and to cultivate the taste for characteristic Empire products. On this point it is essential that adequate and consistent supplies should be made certain; because to develop a taste and then fail to satisfy it in quality or quantity means disaster.