



**AgEcon** SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

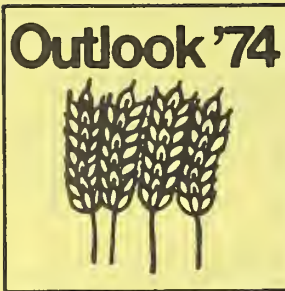
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



DEC 11 '74

PERMITS SECTION  
CURRENT SERIAL RECORDS  
UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

## OUTLOOK FOR TOBACCO

Talk by Robert H. Miller  
Commodity Economics Division  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 3:00 P.M., Wednesday, December 19, 1973

The tobacco outlook for 1974 is highlighted by prospects for U.S. cigarette consumption to rise further from this year's record-high level. Trade barriers remain in key markets such as the European Community but our leaf exports are expected to do well. Despite a little larger crop this past season, we can expect another decline in carryover stocks. Prospects are for larger tobacco quotas in 1974, so growers may harvest more tobacco. Cash receipts are expected to gain. Higher production expenses are also expected. Fuel and fertilizer prices already are up sharply. In the months ahead the impact of the energy shortage may grow wider in terms of allocations, rationing, or further price rises.

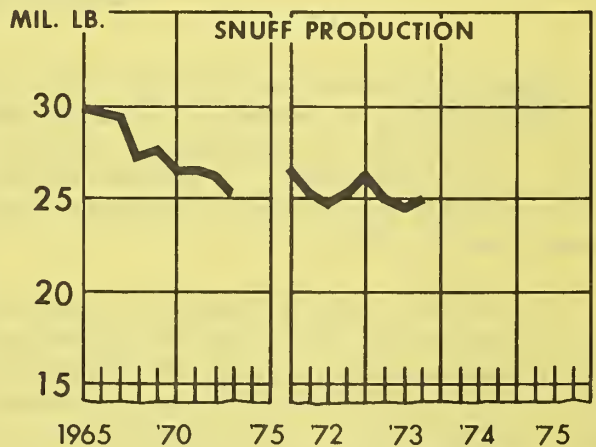
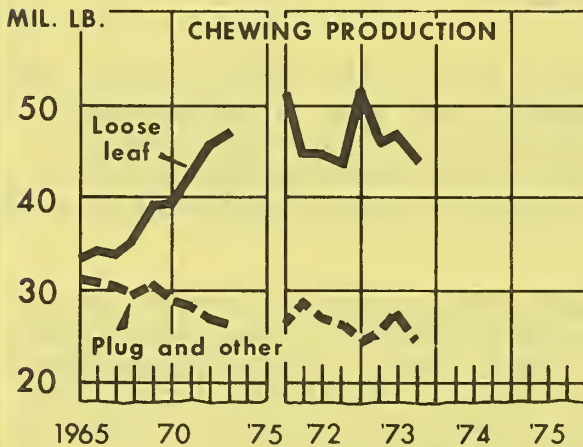
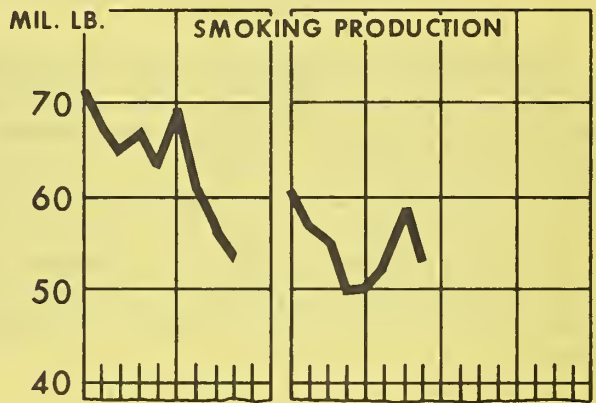
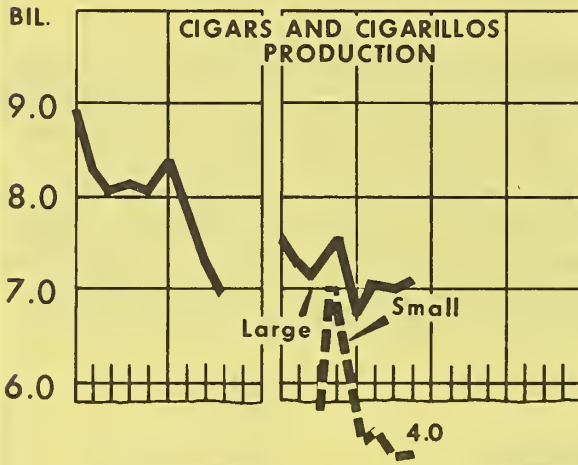
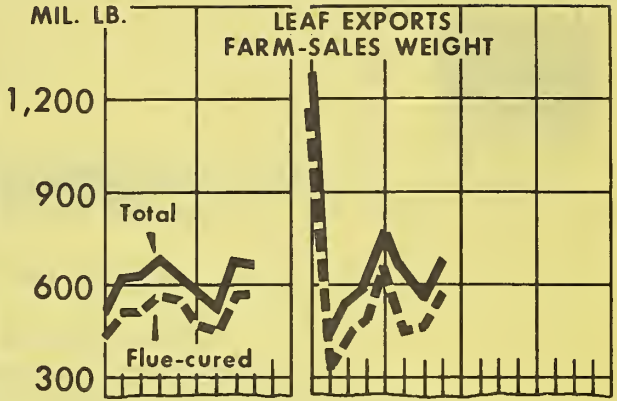
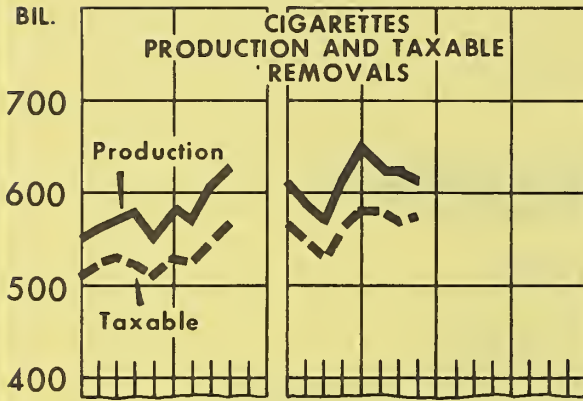
### Tobacco Products

Cigarettes take four-fifths of the tobacco used in the United States. Output should reach a record 630 billion cigarettes this year, 5 percent above 1972. The number of cigarettes consumed per person, 18 years and over, is about 4,130 (206 packs), 2 percent above 1972. Per person use has recovered about one-half the slump of 1968-69. Next year U.S. smokers may smoke more per person than in 1973.

At half the rate of rise for all consumer prices, retail cigarette prices rose 3 percent in 1973, due to increases in manufacturers' prices and in wholesale-retail margins. Only two States hiked their taxes. With inflation problems continuing, further price increases are likely. State excise taxes currently range from 2 cents per pack in North Carolina to 21 cents in Connecticut. There are more people of smoking age, incomes are trending upward, and anti-

# TOBACCO OUTLETS

## Trends in Manufactured Products and Exports



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

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

LAST QUARTER SHOWN ESTIMATED.



smoking publicity remains at a lower level than a few years ago. So consumption may rise further in 1974.

Among other tobacco products, the biggest development this year was the radio and TV advertising ban for small cigars (cigarette size) after several new brands were extensively promoted in 1972. Output probably reached a record 4.8 billion.

For large cigars, including cigarillos, consumption in 1973 is totaling about 6.9 billion, 5 percent below 1972 and one-fourth below the 1964 peak. Cigars from Puerto Rico accounted for almost one-fifth of U.S. large cigar consumption. Consumption per male 18 years and over is about 102 large cigars, 7 percent below 1972. Next year, small cigar consumption will do well to hold its own without the benefit of broadcast advertising. Large cigar use may decline further.

Smoking tobacco output in 1973 is down 4 percent to 53½ million pounds, a record low. Snuff output is down slightly. Use of these products seems likely to change little.

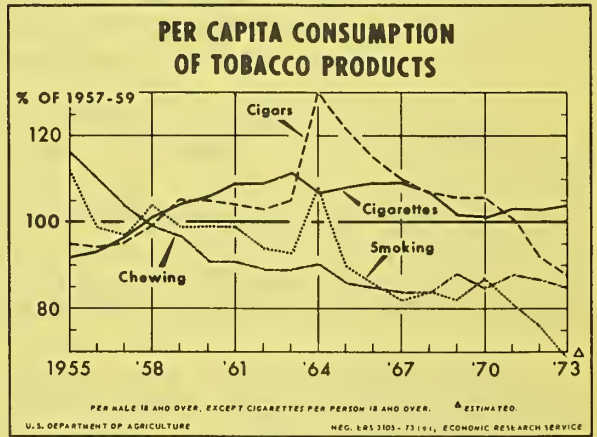
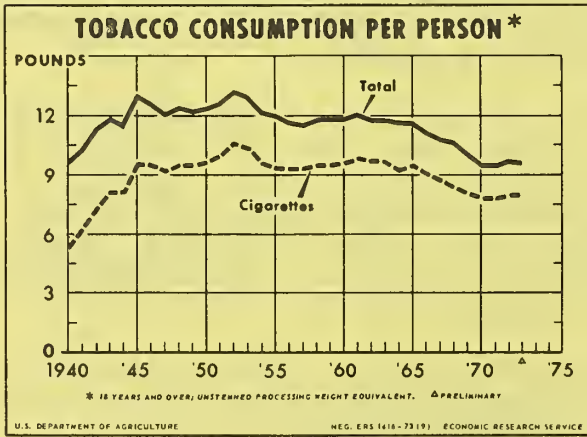
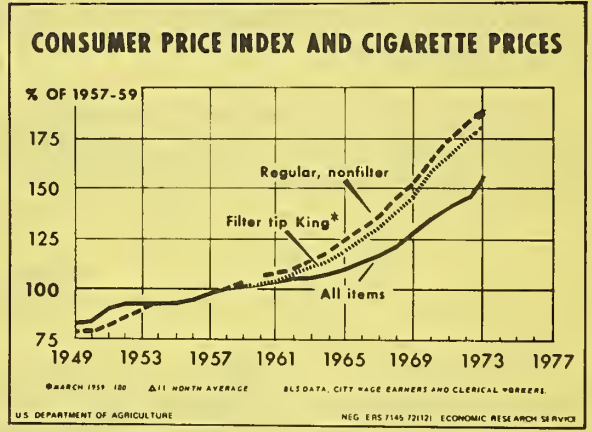
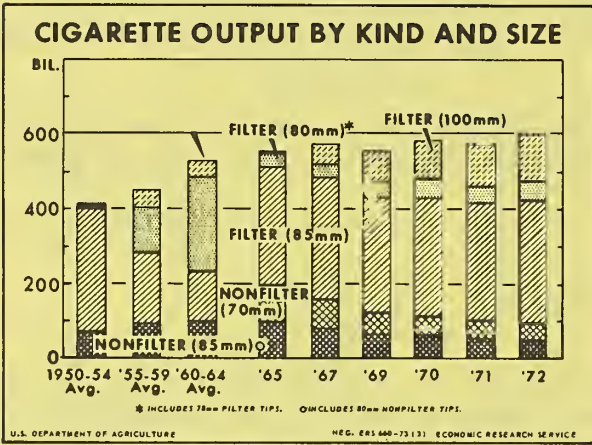
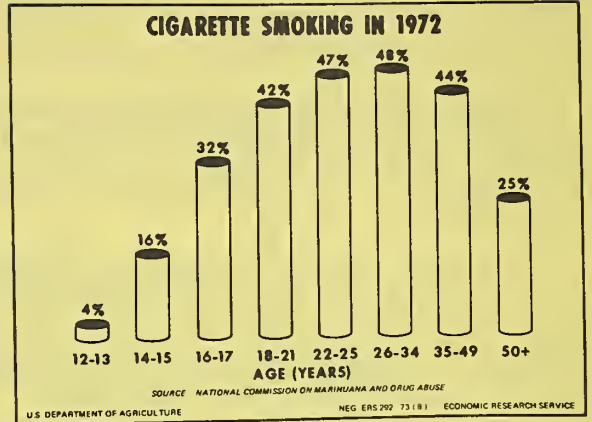
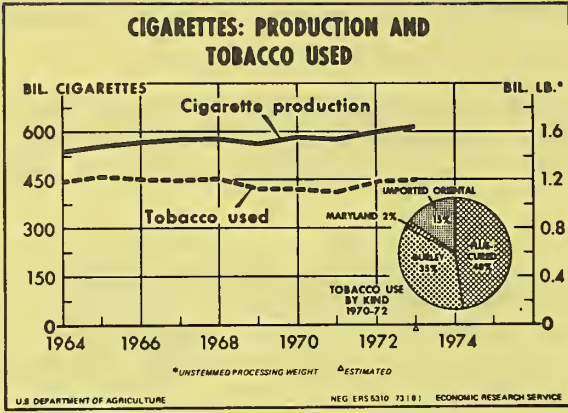
Chewing tobacco output probably reached 73 million pounds this year, 1 percent more than 1972's level. Loose leaf output gained further while production of plug tobacco continued to decline.

### Foreign Trade

U.S. exports of tobacco and tobacco products in calendar year 1973 are setting a record value of around \$950 million. Volume may decline slightly, but average price is up sharply. Both unmanufactured tobacco exports and tobacco products may reach record highs, \$650 million and \$290 million, respectively. In recent years leaf and product exports have taken about one-third of the U.S. tobacco crop. This year U.S. tobacco exports will record about \$750 million in surplus over tobacco imports worth about \$200 million. This favorable tobacco trade balance, along with boosts for other agricultural products, helped offset the country's trade deficit in nonagricultural products.

Unmanufactured tobacco exports in 1973 are expected to total 585 million pounds (640 million, farm-sales weight) compared with 1972's 606 million. Delayed shipments from 1971's dock strike boosted the 1972 total. Exports in 1974 may edge downward from the 1973 level due to tighter supplies. In our major market, the United Kingdom, takings of U.S. tobacco trail 1972. More is going to the original 6 European Community (EC) countries. Japan's purchases from the 1973 crop continued their upward trend.

Before 1966, Rhodesia was our main export competitor. But Rhodesia and the United Kingdom have not settled their political dispute and the U.N. sanctions against Rhodesia continue. However, Rhodesia has apparently disposed of its surplus tobacco and this season Rhodesia's flue-cured quota has gone up 40 per-





cent to 200 million pounds. A crop at this level would still fall short of peak output recorded prior to the economic sanctions. Among other competing flue-cured producers, Canada raised a larger crop this past season, after 1972's short crop. India and Brazil had declines in 1973 output; little recovery is in prospect the next year or two due to competition from other crops.

With rising population and incomes, world cigarette production is on the rise. Also, the preference for blended cigarettes means the demand for light tobacco--primarily flue-cured and burley--is exceptionally strong. Prices for most foreign flue-cured and burley crops have jumped and last year's output expanded. Despite the termination of U.S. export payments and suspension of barter and shortterm credit programs, devaluation of the dollar makes U.S.-produced tobacco more competitive.

The United States is the third largest tobacco importing country. U.S. cigarette and cigar manufacturers blend foreign tobaccos with domestic types. Cigarette leaf (oriental) is the principal kind of import; imports for consumption (factory use) this year may have gained 8 percent to 170 million pounds. In addition, about 12 million pounds of scrap, primarily oriental, and 6 million pounds of imported flue-cured and burley leaf were used.

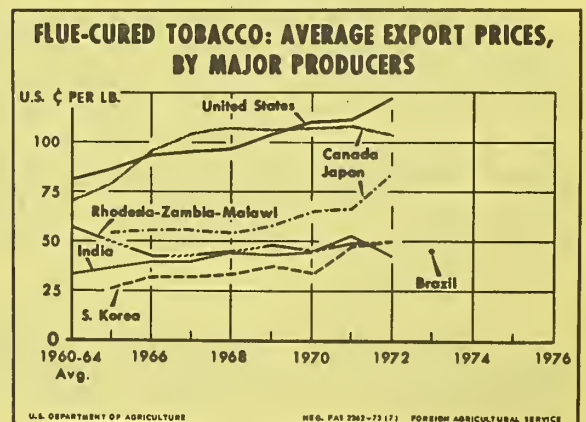
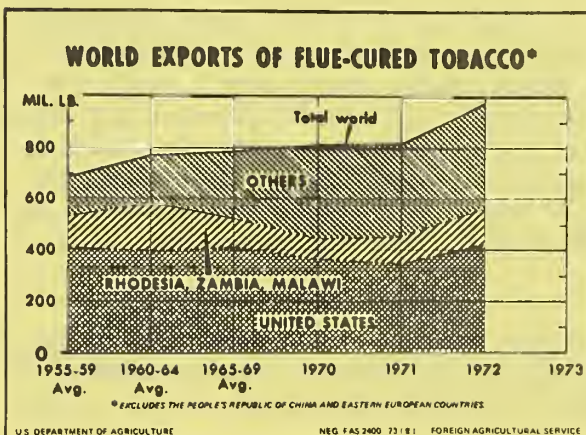
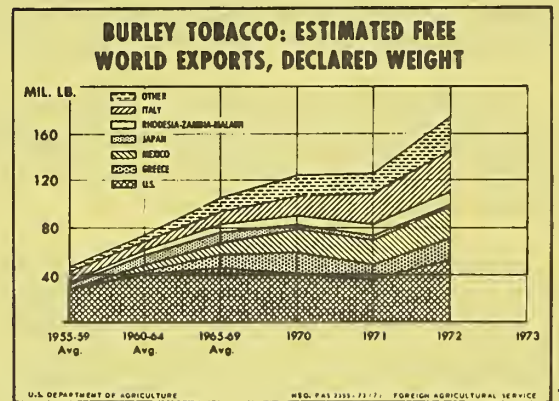
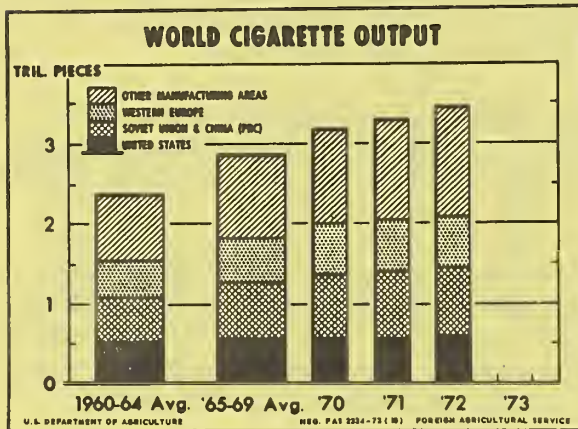
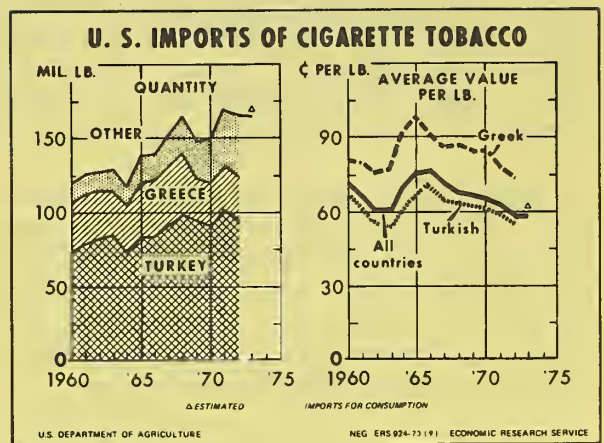
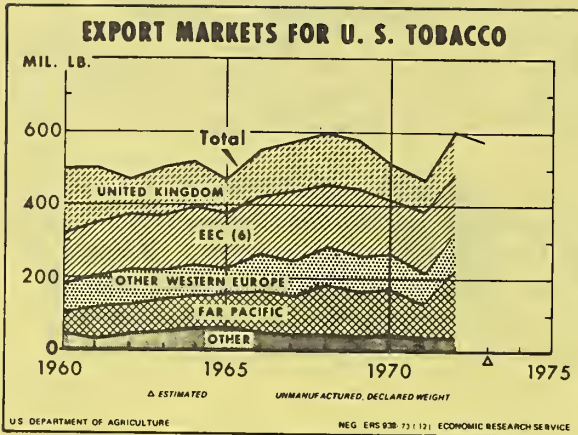
Cigar tobacco imports are mainly filler tobacco, including scrap. The Philippines and Brazil are our leading sources. This year importers probably brought in about 70 million pounds (for consumption) up 10 million from a year earlier.

Imports accounted for about 19 percent of U.S. manufacturers' tobacco utilization last marketing year (16 percent for cigarettes and 60 percent for cigars). This high level of factory use will probably continue due to larger foreign stocks in the United States and substantial exportable supplies overseas. Cost of imported oriental leaf is rising, but even including duty, imports retain a sizable price advantage over domestic leaf.

### Leaf Tobacco

The most notable developments for U.S. production in 1973 were increased domestic disappearance, the brisk demand at flue-cured and burley auctions, sizable reductions in loan holdings, and record high crop value. Next year look for higher farm quotas for burley and flue-cured. In total, growers are expected to produce more tobacco. Price support levels will rise, thereby helping growers to obtain prices near the 1973 season's record high. Cash receipts should gain from this year's \$1.6 billion. Production costs are expected to continue upward, probably at an accelerated rate. The big gains will be fuel and fertilizer.

Growers raised 3 percent more tobacco this season. But lower carryover reduced supplies for the 1973/74 marketing year by 3 percent. With a strong auction demand, the smallest volume of tobacco since World War II went under





government loan. The average tobacco price may reach 89 cents per pound, a record high, and 7 percent above the 1972/73 levels.

At the beginning of 1973/74 marketing year, tobacco held under government loan, largely flue-cured and burley, totaled 697 million pounds (farm-sales weight) or one-fourth below a year earlier. Sizable sales for later delivery the low level of this season's burley crop, and rising cigarette output point to another significant decline in loan stocks. By the end of the marketing year, stocks are expected to decline around one-third to the lowest level since 1962.

Government price support is mandatory for tobacco produced under marketing quotas. The legal formula indicates price support levels for eligible tobaccos will go up 8-9 percent next year over 1973. The increase results from a rise in the parity index (a measure of changes in prices paid by farmers, wages paid to hired labor, interest and taxes).

For flue-cured tobacco, despite a larger crop, the reduced carryover means 1973/74 supply is down 1 percent. Growers sold 13 percent more than in 1972. Acreage increased, a tenth and average yield per acre increased 3 percent.

The 1973 flue-cured crop averaged a record 88.1 cents per pound, 2.8 cents higher than the previous year. Quality was about the same, but grade averages were higher. Growers placed  $2\frac{1}{2}$  percent of sales under Government loan, a quantity only slightly above the record-low loan volume in 1972.

Last marketing year, exports of flue-cured (over four-fifths of total U.S. tobacco exports) rose and domestic use gained fractionally; the overall increase was  $3\frac{1}{2}$  percent. For July-October 1973, exports rose a tenth and U.S. cigarette output gained about 5 percent. This season's disappearance may gain slightly from the 1972/73 level and bring carryover down some 30-40 million pounds by next July.

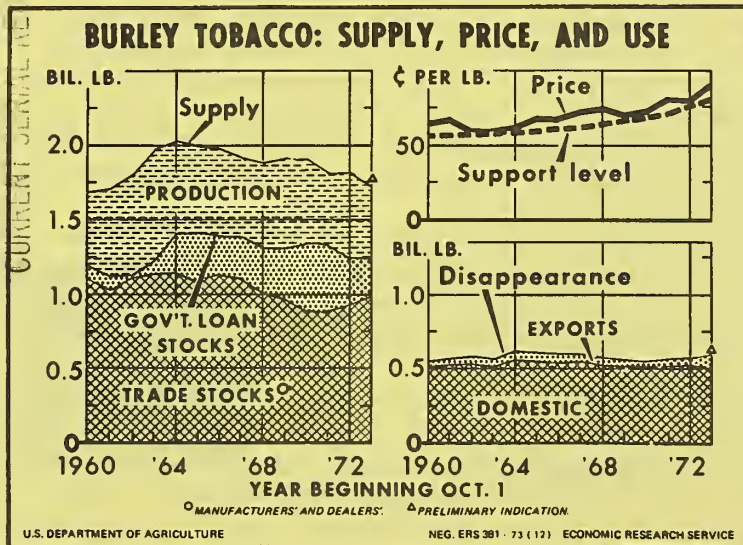
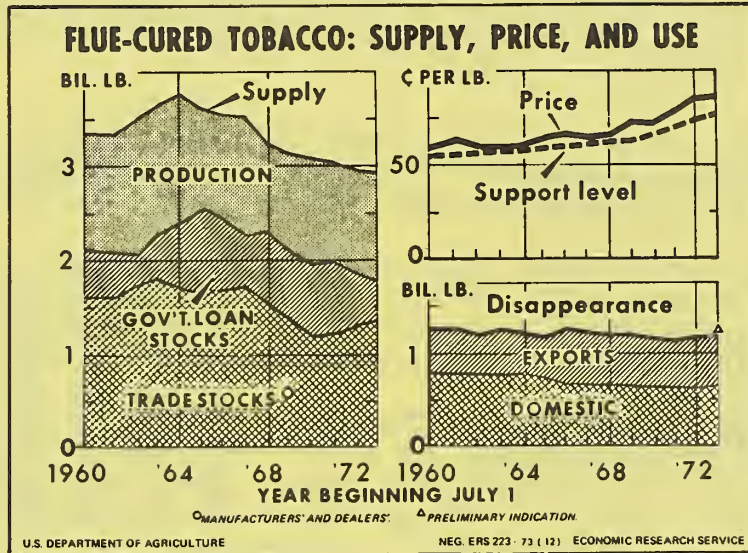
For 1974, under the acreage-poundage program, USDA announced last July the national flue-cured marketing quota at 1,179 million pounds, the same as this year. The base quota plus 1973's net undermarketings gives an effective quota of about 1,230 million pounds, 2 percent above last season's marketings. With the reduced carryover and prospects for a higher level of use than previously estimated, USDA is considering a possible quota increase.

The 1973/74 supply of burley tobacco is 5 percent below last season. Carryover on October 1 was down and adverse weather brought a one-sixth lower crop. The crop is selling for 93 cents per pound, up 14 cents from 1972 and surpassing 1971's record. Loan placements have been negligible.

Burley disappearance gained slightly in 1972/73 with rising use, both domestic and overseas. With cigarette output on the upswing, domestic burley disappearance in this marketing year could rise further. Exports could stay near last season's peak level as foreign manufacturers expand their American type blends. Carryover stocks next October 1 will likely decline sharply.

Burley poundage legislation requires that the national quota be not less than 95 percent of estimated disappearance for that year. With disappearance near the 610 million pounds in 1972/73, USDA may have to increase the 1974 burley marketing quota from last season's 560.5 million pounds. Also, the 1974 farm quota will increase by at least 1973's undermarketings--estimated at 70-80 million pounds.

For other tobaccos, the current marketing year's supplies of Maryland and cigar binder types are larger than last season, while supplies of fire-cured, dark air-cured, cigar filler, and wrapper types are lower. Marketing quotas and acreage allotments for several kinds of tobacco will be announced by February 1.



U.S. DEPT. OF AGRICULTURE  
NATIONAL BUREAU OF ECONOMIC ANALYSIS

JUL 25 '74

CURRENT GENERAL RELEASE