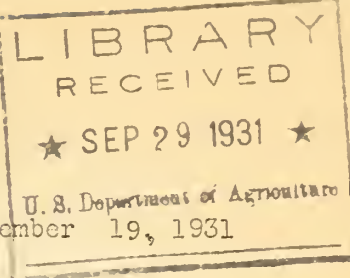


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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington



T-8

THE TOBACCO PRICE SITUATION

Flue-cured tobacco

Market prices for flue-cured tobacco in 1931 have shown wide variations from 1930. This is due partly to a continuation of relatively large supplies but it appears to be due largely to the unusual weakness of certain classes of demand. In the Georgia district the season average price for Type 14 was approximately 35 per cent below 1930. On the other hand, the August average for Type 13 in South Carolina was about 10 per cent above August 1930. It is not known yet whether this indicates a general improvement over 1930. Last year's August average in South Carolina was nearly 20 per cent less than the final season average, and since August prices usually are higher than the season average, it may be that the apparent improvement in 1931 represents only a return to more normal relationships. Sales of Type 12 in North Carolina have not been reported in sufficient volume to furnish satisfactory comparisons with previous years.

Prices by grades and qualities

Prices for the different grades of tobacco have varied greatly in their relation to previous years. The thinner leaves and higher qualities, such as cutters, fine and good lugs and medium to fair leaf, have been selling at prices which compare favorably with those of 1930. Some of these grades are above the level of last year's prices and are about in line with those prevailing in 1929. Most of the lower grades have been in very poor demand; some are selling for only about 50 per cent as much as they did in 1930. A comparison with 1929 is even more striking. (See tables 1 and 2). Since the aggregate quality of the 1931 production is reported to be little different from normal, either in Georgia or the Carolinas, it is apparent that the unfavorable average prices are due largely to the reduced demand for the lower grades of tobacco, particularly those normally going into export trade.

The supply situation

The prospective supply of flue-cured tobacco for the United States in 1931 is about 5 per cent less than the record of 1930, but about 3 per cent greater than in 1929. This is based upon the September 1 estimate of production, 705,790,000 pounds, and the July 1 stocks reported in the hands of dealers and manufacturers, 676,752,000 pounds. The production is about 18 per cent less than a year ago but the stocks are 13 per cent greater. (See table 3).

For the separate types of flue-cured the prospective supply in 1931 compares with 1930 as follows: Type 11, 3 per cent less; Type 12, practically no change; Type 13, 6 per cent less; Type 14, 27 per cent less. In each case the production indicated by September 1 conditions is less than the amount harvested in 1930, reductions varying from 42 per cent for Type 14 to 11 per

cent for Type 12. On the other hand stocks on July 1 were larger than in 1930 for all types except 14, which were 1 per cent less than a year ago. Stocks of Type 11 were 9 per cent greater than in 1930, those of Type 12, 19 per cent greater and those of Type 13, 24 per cent greater. (See table 4). A comparison of these stocks shows that dealers and manufacturers in the United States had on hand more of the heavier and lower grades of tobacco and less of the thinner and higher qualities in 1931 than in 1930. (See table 5).

The production of flue-cured tobacco in this country has been increased greatly in recent years. In the 6 years from 1924 to 1930 the production practically doubled in amount, having increased from 437 to 860 million pounds. This was at a more rapid rate than consumption was increasing, hence stocks accumulated. However, as long as domestic consumption and exports were expanding at their usual rates these increases in stocks were not considered burdensome. But when consumption failed to increase, the full force of these accumulations, combined with the record crop of 1930, created a very unfavorable market situation. The influence of these conditions has continued into the present season, and has been felt particularly in the case of the heavier and lower grades of tobacco.

The demand situation

The demand for flue-cured tobacco rests primarily upon its uses in the manufacture of cigarettes. Since more than half the production is exported it is apparent that conditions abroad are as important in determining prices as are conditions in the United States. The United Kingdom and China are the principal importing countries but important quantities are taken also by Continental Europe, Australia, Canada, and other countries.

World consumption of products made from American flue-cured tobacco in 1930 appears to have been approximately equal to that of 1929. This is in sharp contrast to other recent years, for until 1930 the consumption of these products in most countries had been making substantial increases each year. Figures for the early part of 1931 show no improvement over 1930, apparently continuing to react to the reduced buying power of consumers and relatively high prices for tobacco products. In the United States, cigarette consumption to July 1 was about equal to that for the same periods in 1929 and 1930. Consumption for the month of July was about 10 per cent less than for July 1930. ^{1/} Consumption in the United Kingdom for the first 6 months of 1931 failed to make its usual increase, while in many of the Continental European countries definite declines in consumption have been reported. For

^{1/} It will be recalled that the wholesale price of the leading brands of cigarettes in the United States was raised 7 per cent on June 24, 1931. This was immediately reflected in retail prices.

China no reliable figures for consumption are available, but trade information shows the cigarette industry to have made consistent progress and as yet no signs of slackening have been reported. However, present conditions in that country are not such as to exert any important influences for price improvement in the United States.

Exports

Exports for the year ended June 30, 1931 were 432,735,000 pounds, slightly larger than the previous high record established in 1929-30. The United Kingdom and China were the principal importing countries, together taking 75.7 per cent of the total. (See table 3). The shipments to China, which always have consisted largely of medium to low quality leaf, recently have tended more toward the lower grades. This has been due partly to the influence of unfavorable exchange rates prevailing for Chinese silver currency and to the preference given by their import tariff to low priced tobaccos. (See tables 6 to 8). The United States still furnishes more than 90 per cent of the leaf imported into China and appears to meet little competition from other exporting countries. However, recent expansion in China of the production of bright tobacco from American seed has been providing manufacturers with new sources of supply, particularly the factories operated with Chinese capital. The acreage of this tobacco in 1931 is considerably larger than in 1930 and the crop is reported to be in good condition.

Stocks of flue-cured tobacco in foreign countries appear normal or above normal in all countries where reports are available. In the United Kingdom stocks at the 3 ports of entry, London, Liverpool, and Glasgow on July 31 were 12 per cent larger than in 1930 and 23 per cent larger than in 1929. The quantities on hand in the countries of Continental Europe cannot be determined definitely but, judging by the prices at which supplies recently have been available there, it is probable that they are somewhat larger than usual.

Buyers for export on the flue-cured markets this season have been less active than for many years past. It is largely for this reason that the grades and qualities normally exported are selling so much below 1929 and 1930, while prices for the better grades compare favorably with 1929 and 1930. However, domestic demand for the lower grades also is weaker than usual due to the fact that dealers and manufacturers already are heavily stocked with them. Growers this season have found it especially advantageous to use particular care in sorting their crops into the proper grades and qualities before offering them for sale. Only in this way do they obtain the greatest benefits from the price advantages offered for the better grades and suffer least from the lower prices for the poorer grades.

Table 1.- Tobacco, flue cured: Price per 100 pounds for selected grades of Type 14, 1931 and 1930, Douglas, Georgia 1/
(Tobacco officially graded by U.S.D.A.)

Grade and quality	Weekly averages 1931						Season average, 1930 ^{2/}
	Week ended:	Week ended:	Week ended:	Week ended:	Week ended:	Week ended:	
	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29		
	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	
Leaf grades--	:	:	:	:	:	:	:
3rd quality, lemon	---	15.30	19.70	20.70	---	15.30	
" " orange	---	16.60	19.60	17.00	14.60	15.43	
4th " lemon	13.40	12.90	15.80	14.90	13.80	12.37	
" " orange	---	12.70	14.40	13.30	9.40	11.01	
5th " lemon	8.90	7.50	11.60	9.20	7.60	8.65	
" " orange	7.60	7.20	8.40	6.80	6.60	7.16	
6th " lemon	5.20	4.70	5.30	3.30	4.80	6.07	
" " orange	4.20	3.50	3.40	3.30	3.00	5.16	
" " green	3.10	3.30	3.00	2.50	2.70	4.62	
7th " orange	2.20	2.10	1.60	1.20	1.40	3.21	
" " green	2.40	2.00	1.60	1.60	1.30	3.00	
Cutter grades --	:	:	:	:	:	:	
3rd quality, lemon	---	---	---	22.90	---	18.21	
" " orange	---	---	---	25.90	---	17.72	
4th " lemon	---	17.70	20.20	19.30	---	17.00	
" " orange	---	19.40	22.00	20.30	---	14.25	
5th " lemon	15.10	15.50	18.20	16.70	---	15.17	
" " orange	---	16.60	19.30	18.00	14.20	15.36	
Log grades--	:	:	:	:	:	:	
1st quality, lemon	13.40	14.20	14.30	14.70	---	14.43	
" " orange	14.50	16.00	16.30	15.30	---	14.55	
2nd " lemon	10.80	9.60	12.50	12.40	---	11.74	
" " orange	10.60	9.70	11.90	9.10	8.10	10.40	
3rd " lemon	6.70	5.80	6.90	6.50	---	9.54	
" " orange	6.60	5.60	6.80	5.10	4.30	8.06	
4th " lemon	3.10	3.40	2.60	---	---	6.59	
" " orange	2.90	3.20	2.70	2.50	2.30	6.44	
Ga. State averages,	:	:	:	:	:	:	
all grades and qual-	:	:	:	:	:	:	
ities ^{3/} -- 1930 ..	10.59	12.42	9.68	6.83	5.68	^{3/} 9.87	
1931 ..	7.33	7.56	6.86	6.39	4.40	^{3/} 6.58	

Division of Statistical and Historical Research. Compiled from data supplied by the Tobacco Section, Bureau of Agricultural Economics.

1/ Prices shown only for grades quoted both in 1930 and 1931. Averages are not given for grades in which less than 20 lots are included.

2/ The marketing season for Type 14 normally does not exceed 5 weeks in length. In some years the sales are completed in 4 weeks. The average shown above includes prices for the markets of Douglas, Tifton and Baxley, Ga., and Live Oak, Fla. No season average by grades has been compiled for 1931.

3/ Reported by Georgia State Department of Agriculture. The season averages for both 1930 and 1931 are for sales made during the first 5 weeks of the season.

Table 2.- Tobacco, flue-cured: Price per 100 pounds for selected grades of Type 13, 1931 and 1929, Lake City, South Carolina 1/ (Tobacco officially graded by U.S.D.A.)

Grade and quality	Weekly average, 1931				Season averages 2/			Per cent of 1929
	Week ended Aug. 8	Week ended Aug. 15	Week ended Aug. 22	Week ended Aug. 29	1931 Up to Aug. 29	1929 Com- plete		
	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.		
Leaf grades:								
3rd quality, lemon	--	--	--	26.90	25.50	29.90	85	
" " orange	--	--	--	23.20	22.20	28.60	78	
4th " lemon	--	--	--	18.50	17.80	24.10	74	
" " orange	--	--	18.40	16.90	17.20	21.70	79	
5th " lemon	--	--	8.40	11.50	10.80	19.70	55	
" " orange	--	9.50	7.80	9.30	9.00	17.90	50	
" " green	--	--	--	6.10	5.80	14.70	39	
6th " lemon	--	--	--	4.30	4.10	15.60	29	
" " orange	--	3.80	3.40	3.80	3.80	11.30	34	
" " green	--	--	--	2.70	2.90	10.20	28	
7th " orange	--	--	--	1.40	1.50	8.20	18	
" " green	--	--	--	--	1.40	6.80	23	
Cutter grades:								
3rd quality, lemon	--	--	--	--	25.60	26.10	98	
4th " lemon	--	25.00	25.00	27.20	25.80	21.70	119	
" " orange	--	--	25.70	25.90	25.40	24.10	105	
5th " lemon	--	22.40	23.40	23.90	23.30	18.00	129	
" " orange	--	--	22.20	24.00	23.50	21.90	107	
lug grades:								
1st quality, lemon	17.90	19.10	21.00	21.90	20.40	18.40	111	
" " orange	16.00	20.30	19.90	21.70	20.30	19.80	103	
2nd " lemon	14.90	15.10	18.10	18.40	16.70	15.80	106	
" " orange	13.50	15.10	16.50	16.50	15.70	17.50	90	
3rd " lemon	9.70	7.90	11.00	12.40	9.80	12.20	80	
" " orange	7.70	8.10	10.20	10.10	9.30	14.20	65	
" " mixed	--	--	--	--	6.40	12.30	52	
" " green	--	--	4.00	--	5.00	12.60	40	
4th " lemon	3.20	2.80	4.00	4.60	3.50	10.00	35	
" " orange	3.10	3.20	4.30	4.20	3.70	10.10	37	
" " mixed	--	--	--	4.30	3.40	9.40	36	
" " green	2.80	2.20	2.00	2.90	2.50	10.20	25	
5th " lemon	2.10	1.40	1.70	2.20	1.70	6.40	27	
" " orange	1.30	1.60	1.60	2.00	1.60	5.80	28	
" " green	--	--	--	--	1.50	7.70	19	

Division of Statistical and Historical Research. Compiled from data supplied by the Tobacco Section, Bureau of Agricultural Economics.

1/ Prices shown only for grades quoted both in 1929 and 1931. Averages are not given for grades in which less than 20 lots are included.

2/ The marketing season for Type 13 normally extends through the months of August, September, and October. During most years from half to two-thirds of the sales are made during August.

Table 3.- Tobacco, flue-cured: Production, stocks, disappearance, and exports, 1923-24 to 1931-32

Year	Production	Stocks	Total	Disappearance	Total	United	China
beginning	July	July	supply	1/	all	Kingdom	countries
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1923-24..	592.9	438.7	1,031.6	555.0	266.0	120.8	53.1
1924-25..	436.8	476.6	913.4	451.1	207.5	100.6	47.4
1925-26..	576.3	462.3	1,038.6	583.2	324.4	153.5	93.6
1926-27..	564.5	455.4	1,019.9	553.4	288.7	134.9	71.3
1927-28..	715.9	466.5	1,182.4	517.4	328.9	157.5	68.9
1928-29..	740.8	566.0	1,305.8	715.8	411.8	171.4	130.6
1929-30..	750.9	500.0	1,340.9	741.6	429.9	186.6	127.1
1930-31..	859.8	599.3	1,459.1	782.3	432.7	184.4	143.3
1931-32.. ^{2/}	705.8	676.7	1,382.5	-	-	-	-

Division of Statistical and Historical Research, Bureau of Agricultural Economics.

1/ Disappearance is calculated by including production on a green weight basis. Exports are reported in redried weights. Therefore, the difference between total disappearance and exports is not domestic consumption, but it includes losses from redrying and shrinkage.

2/ Estimated, September 1, 1931, Division of Crop and Livestock Estimates.

Table 4.- Tobacco, flue-cured: Production and stocks, by types, 1929, 1930 and 1931

Item	1929	1930	:Per cent: :1930 is :of 1929	1931	:Per cent: :1931 is :of 1930	Per cent 1931 is of 1929
	1,000 pounds	1,000 pounds	Per cent	1,000 pounds	Per cent	Per cent
Total All Types						
Production...	750,899	859,831	114.5	1/705,790	82.1	94.0
Stocks, July 1:	589,278	599,262	101.6	676,752	112.9	114.7
Total supply:	1,340,877	1,459,093	108.8	1,382,542	94.9	103.1
Type 11						
Production...	285,800	296,316	103.7	1/254,330	85.8	89.0
Stocks, July 1:	291,021	279,685	96.1	305,635	109.3	105.0
Total supply:	576,821	576,001	99.9	559,965	97.2	97.1
Type 12						
Production...	249,500	297,600	119.3	1/266,075	89.4	106.6
Stocks, July 1:	171,196	173,980	101.6	206,995	119.0	120.9
Total supply:	420,696	471,580	112.1	473,070	100.3	112.4
Type 13						
Production...	121,260	155,170	128.0	1/121,560	78.3	100.2
Stocks, July 1:	75,677	81,593	107.8	100,756	123.5	133.1
Total supply:	196,937	236,763	120.2	222,316	93.9	112.9
Type 14						
Production...	94,339	110,745	117.4	1/63,825	57.6	67.7
Stocks, July 1:	52,084	64,004	122.9	63,366	99.0	121.7
Total supply:	146,423	174,749	119.3	127,191	72.8	86.9

Division of Statistical and Historical Research. Bureau of Agricultural Economics.

1/ Estimated September 1, 1931, Division of Crop and Livestock Estimates.

Table 5.- Tobacco, flue-cured: Stocks in hands of dealers and manufacturers, by groups of grades, July 1, 1930 and July 1, 1931.

Group	July 1, 1930		July 1, 1931		Per cent 1931 is of 1930
	Thousand pounds	Per cent	Thousand pounds	Per cent	
<u>Total All Types</u>					
A-Wrapper.....	9,684	1.6	8,433	1.3	87.1
B-Leaf or Heavy Leaf.....	123,340	20.6	170,621	25.2	138.3
C-Cutters or Thin Leaf....	237,087	39.6	225,668	33.3	95.2
X-Lugs or Ground Leaves...	219,031	36.5	259,798	38.4	118.6
S-Scrap.....	9,579	1.6	11,454	1.7	119.6
H-Nondescript.....	541	0.1	778	.1	143.8
Total.....	599,262	100.0	676,752	100.0	112.9
<u>Type 11</u>					
A-Wrapper.....	8,195	2.9	7,477	2.5	91.2
B-Leaf or Heavy Leaf.....	70,895	25.4	91,812	30.0	129.5
C-Cutters or Thin Leaf....	98,193	35.1	84,362	27.6	85.9
X-Lugs or Ground Leaves...	96,617	34.5	116,061	38.0	120.1
S-Scrap.....	5,582	2.0	5,598	1.8	100.3
H-Nondescript.....	203	0.1	325	0.1	160.1
Total.....	279,685	100.0	305,635	100.0	109.3
<u>Type 12</u>					
A-Wrapper.....	234	0.1	186	0.1	79.5
B-Leaf or Heavy Leaf.....	22,620	13.0	43,517	21.0	192.4
C-Cutters or Thin Leaf....	79,247	45.5	74,170	35.8	93.6
X-Lugs or Ground Leaves...	69,029	39.7	84,116	40.7	121.9
S-Scrap.....	2,697	1.6	4,797	2.3	177.9
H-Nondescript.....	153	0.1	209	0.1	136.6
Total.....	173,980	100.0	206,995	100.0	119.0
<u>Type 13</u>					
A-Wrapper.....	513	0.6	612	0.6	118.1
B-Leaf or Heavy Leaf.....	15,355	18.8	23,825	25.7	155.2
C-Cutters or Thin Leaf....	26,105	32.0	29,550	29.5	113.2
X-Lugs or Ground Leaves...	38,420	47.1	45,783	45.4	119.2
S-Scrap.....	1,074	1.3	771	.8	71.8
H-Nondescript.....	121	0.2	215	.2	177.7
Total.....	81,593	100.0	100,756	100.0	123.5
<u>Type 14</u>					
A-Wrapper.....	737	1.1	158	0.2	21.4
B-Leaf or Heavy Leaf.....	14,470	22.6	11,467	18.1	79.2
C-Cutters or Thin Leaf....	33,542	52.4	37,586	59.3	112.1
X-Lugs or Ground Leaves...	14,965	23.4	13,638	21.8	92.5
S-Scrap.....	226	.4	288	0.5	127.4
H-Nondescript.....	64	.1	29	0.1	45.3
Total.....	64,004	100.0	63,366	100.0	99.0

Division of Statistical and Historical Research, Bureau of Agricultural Economics.

Table 6. - Tobacco, flue-cured: Value per pound exported to China, by months, 1926-27 to 1930-31

Month	1926-27	1927-28	1928-29	1929-30	1930-31
	Cents	Cents	Cents	Cents	Cents
July	13.4	19.4	17.9	10.6	12.5
Aug.	26.0	16.3	19.9	15.3	12.9
Sept.	30.7	21.3	16.6	15.5	11.5
Oct.	30.5	18.4	16.3	13.3	12.6
Nov.	27.2	16.9	17.7	12.4	12.0
Dec.	27.5	16.6	18.7	12.9	12.7
Jan.	19.5	17.9	15.0	15.4	11.4
Feb.	21.1	16.3	20.0	11.3	11.0
Mar.	18.8	19.9	12.9	12.5	10.1
Apr.	20.3	18.1	11.9	12.7	9.6
May	20.6	20.0	13.3	12.6	9.6
June	14.1	16.6	12.6	12.2	9.9
12-month av.	24.2	18.4	17.5	13.3	11.0

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Table 7. - Tobacco, flue-cured: Value per pound exported to the United Kingdom, by months, 1926-27 to 1930-31

Month	1926-27	1927-28	1928-29	1929-30	1930-31
	Cents	Cents	Cents	Cents	Cents
July	43.2	38.5	45.6	39.4	37.3
Aug.	35.8	33.6	36.4	37.1	37.1
Sept.	48.8	50.7	48.1	41.0	44.1
Oct.	47.9	44.3	45.5	43.7	42.7
Nov.	43.9	46.3	44.8	40.3	45.4
Dec.	43.1	45.3	38.9	30.1	44.3
Jan.	46.4	41.1	41.6	37.3	42.0
Feb.	49.1	41.2	19.8	30.3	45.7
Mar.	44.9	44.6	41.8	40.6	44.4
Apr.	40.9	40.3	39.0	43.5	45.4
May	39.4	35.2	39.0	26.1	17.6
June	39.7	33.0	32.7	29.4	25.7
12-month av.	45.2	44.0	39.6	39.9	42.4

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Table 8. - Tobacco, leaf: Import duties per pound in the United Kingdom and China, 1929, 1930 and 1931

Item	Duties in United States currency		
	1929 (Aug.) Dollars per pound	1930 (Aug.) Dollars per pound	1931 (Jan.) Dollars per pound
United Kingdom:			
Stripped -			
Containing 10 per cent moisture or more	2.160	2.160	2.160
" less than 10 per cent moisture	2.393	2.393	2.393
Not stripped -			
Containing 10 per cent moisture or more	2.149	2.149	2.149
" less than 10 per cent moisture	2.383	2.383	2.383
China:			
Values per pound -			
Over 31.5 cents	^{1/} .040	.042	^{2/} .042
10.5 to 31.5 cents	^{3/} .015	(.016	^{2/} .021
Under 10.5 cents	((^{2/} .009

Compiled by Foreign Agricultural Service Division from information furnished by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce. Rates converted into United States Currency on the basis of the rates of exchange prevailing on each of the above dates.

^{1/} Valued over 30.3 cents per pound.

^{2/} A surtax of $\frac{1}{4}$ per cent ad valorem is collected at Shanghai; 0.7 per cent ad valorem at Tientsin, and 7 per cent of the duty at Hankow, as wharfage and conservancy dues. Several other ports collect similar surtaxes.

^{3/} Valued not over 30.3 cents per pound.

