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THE TOBACCO PRICE SITUATION

The prices of nearly all types of tobacco showed considerable strengthening during January. In the case of Burley, the most important type marketed at this season, the prices declined until about the middle of the month, but subsequently advanced sufficiently so that the average for the entire belt ^{1/} during the week ended February 10 was around 11.5 cents per pound, which was nearly back to the level of the opening week of the season. Reports of the Bureau of Agricultural Economics grading service indicate that prices on a grade basis have advanced more than market averages, as some decline appears to have taken place in the quality of tobacco offered on the market. The average price for all sales in Kentucky during January of this year was 10.5 cents per pound, compared with 12.0 cents for January last year, and 8.6 cents for January 1932, according to state reports.

Dark air-cured tobacco and the so-called western fire-cured types showed the greatest increases in price this year, according to state reports. During January of this year, Green River (Type 36) tobacco averaged 10.1 cents per pound, compared with 3.4 cents last January and 3.3 cents 2 years ago. One-sucker (Type 35) tobacco averaged 6.7 cents per pound, compared with 5.0 cents last January and 3.1 cents 2 years ago; Virginia sun-cured (Type 37) averaged 8.4 cents during January, compared with 7.0 cents last January and 5.6 cents 2 years ago. Prices for the latter type have advanced greatly during the last 2 weeks and are now reported to be averaging above 12.0 cents per pound.

Among the fire-cured types, Kentucky sales during January this year averaged 9.8 cents per pound in the Clarksville-Hopkinsville district (Type 22), 5.4 cents in the Paducah district (Type 23), and 5.4 cents in the Henderson district (Type 24). These prices are from 32 percent to 196 percent higher than the corresponding prices for last season and are from 150 percent to 245 percent higher than those for the 1931-32 season. Only the Virginia fire-cured type, of which a large percentage of the 1933 crop was damaged by storm, has had prices this year below those of last year. The average for January 1934 was 6.9 cents per pound, compared with 8.9 cents a year earlier and 4.7 cents in 1932.

Prices for flue-cured tobacco during January declined seasonally and averaged 14.4 cents per pound for the month, compared with 17.2 cents for December 1933, according to state reports. The January average this year compares with 7.3 cents for January last year and 5.9 cents for January 1932. Approximately 98 percent of the 1933 flue-cured crop is reported to have been sold prior to February 1, with a crop average of around 15.25 cents per pound.

1/ Based upon weekly reports of sales supervisors at auction-floor markets.

The Agricultural Adjustment Administration brought additional influences to bear upon tobacco prices during January. Three new marketing agreements were negotiated during the month, applying to the fire-cured and dark air-cured types of tobacco, thus bringing under marketing agreements all the major United States tobacco types, except cigar-leaf. Preliminary steps have been taken to work out agreements for the cigar types. Under the agreements covering the fire-cured and dark air-cured types, as under the flue-cured and Burley agreements, each of the leading domestic buyers agreed to make purchases at least equal to the quantity which it manufactured last year, at prices not less than specified minimum averages. In addition, one of the agreements provides that no tobacco of any of the fire-cured or Green River types shall be purchased on an auction-floor market below a fixed minimum price. Manufacturers of tobacco by-products have contracted to take all such tobacco for which no price bid is received on the market, up to a maximum of 17,000,000 pounds, at an agreed price to the grower. This tobacco is to be used only in the manufacture of nicotine, fertilizer or tobacco extract, thus removing it from ordinary commercial channels.

The use of tobacco in the manufacture of tobacco products, which is indicative of consumption, was slightly larger during December 1933, than during December 1932, according to reports of the Commissioner of Internal Revenue. The number of tax stamps issued for use on manufactured tobacco (smoking and chewing combined), was 8 percent smaller than in December 1932, and the number issued for snuff was 24 percent smaller. However, in the aggregate, these declines were slightly more than offset by a 7 percent increase in the number of stamps issued for cigarettes and a 10 percent increase for cigars.

Exports of leaf tobacco from the United States in December, which totaled 60,800,000 pounds, were more than double the exports of December 1932, and the largest for any corresponding month since 1929. Except for October 1933, this was the second largest for any month during the last 4 years. Most of the increased exports took place in flue-cured tobacco, for which the quantity exported was 53,300,000 pounds, compared with 22,500,000 pounds in December 1932, and a 5-year average for December of 48,000,000 pounds. However, the December exports of all other types of tobacco, except Virginia fire-cured, showed increases over December 1932.

