

Page 2 - The Burley Season, The Carlisle Mercury, Thursday, November 1, 1990

WAREHOUSES MAY SHOW

Growers earning 6-cent price hike

By RANDY GREENE
For the Burley Tobacco Growers Co-operative Association
LEXINGTON — American burley growers can expect warehouse prices this season to average at least \$1.71 or \$1.72 a pound, according to Danny McKinney, chief executive officer of the Burley Tobacco Growers Co-operative Association.

Will Sneli, an extension specialist at the University of Kentucky, agrees. "Average market prices will likely exceed \$1.70 a pound for the first time since 1984," he said.

If these predictions are accurate, then farmers across the eight state Burley Belt should average 5 or 6 cents more a pound for burley than they did in 1989, when the \$1.67-a-pound average dominated warehouse sales.

In terms of weight, growers may realize net sales of 568 million pounds from the burley they produced in 1990, according to the U.S. Department of Agriculture.

Last year, America burley's gross sales were nearly 560 million pounds. Of that amount — according to Dave Williamson, a statistician with the Kentucky Agricultural Statistics Service — 470.5 million pounds of burley were bought during warehouse auctions; another 19 million pounds were sold outside of auctions; and the remaining 83 million pounds were the result of tobacco resales by warehousemen and others.

Burley growers' price gains this season should also be comparable to what they earned last year. In 1989, most warehouse prices reflected a 6-cent increase over the 1988 sales average of \$1.61 a pound.

During the 1988 warehouse season, American burley's gross marketings were 530.7 million pounds.

In total dollars toward the national economy, the 1990 burley crop should be worth nearly \$1 billion in farmers' incomes, according to Williamson, with more than 70 percent of that money going to Kentucky growers.

Tennessee burley farmers should earn about 14 percent of that total, William-

son said, with the remaining 16 percent being divided among burley growers in Indiana, Ohio, Missouri, West Virginia, North Carolina, and Virginia.

Reasons for the Increase
A basic factor underlying higher price averages during 1990 burley sales is that, in February, American growers received a 2.5-cent-per-pound increase in the support price rate for the current crop.

This new support level for burley (before assessments are deducted) is \$1.558 a pound. Last year's burley support price was \$1.532 a pound.

Under the U.S. tobacco program, the "basic support price" functions as a floor for what tobacco manufacturers and exporters must pay for burley. But the USDA's February announcement "did not give burley farmers as much of a price-support increase as we had wanted," McKinney recently told Kentucky's Tobacco Task Force members. "Our growers are finding it difficult to survive. We need more money."

McKinney noted, however, that "the USDA did give us a potential boost."

That boost was a revision of burley's grade-loan rates for the 1990 crop.

Extensive efforts — begun this spring by a committee of BTGCA directors led by Henry West of Plant Lick, Ky. — resulted in USDA approval for new grade-loan rates that range from 80 cents per pound for interior grades to \$1.77 per pound for top-flight burley.

Under the U.S. tobacco program, farmers' burley is first "graded" at warehouses by government employees and then "grade-loan rates" are applied to that tobacco.

As with the support price, these grade-loan rates establish a "floor." Tobacco manufacturers and exporters must pay at least 1 cent above the loan rates per "grade" in order to buy burley.

And this year, for better grades of burley, that grade-loan "floor" is higher. "For example, the buying companies will have to pay \$1.77 a pound this year in order to buy \$1 F1 burley," said McKinney. "The 1989 grade-loan rate for that same grade was 8 cents less, or \$1.69 a pound."

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