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Buyers market for burley with greater range of prices

By Randy Greene

LEXINGTON — Tobacco officials predict that overall value of Kentucky's 1992 burley crop may exceed \$900 million — a statewide benchmark not surpassed since 1984 and one nearly twice the statewide total, comparable to the market average two years ago.

But when burley warehouse auctions begin, November 23, will individual growers actually take home more money?

Last season, growers did. Most averaged more a pound for their tobacco than during the 1990 sales.

According to the U.S. Department of Agriculture, the average price paid to burley farmers during 1990 sales was \$1.752 a pound. For 1991, that figure was up 3.5 cents higher, or \$1.797 a pound.

This season, however, may be less predictable. "The 1992 market will be a buyers' market, the likes of which we have not seen in several years," said Julian G. Singer, president of the Burley Leaf Tobacco Dealers Association.

HIGHER PRICES FOR QUALITY
"The daily average could get above \$1.80 by the second or third day of sales," said Danny McKinney, CEO of the Burley Tobacco Growers Co-operative Association.

But the overall average "is not likely to remain above \$1.80 throughout the season," McKinney said.

"The current price-support structure will provide a 'safety net' for good-to-high-quality marketings," said William M. Sowell, a University

of Kentucky professor of ag economics.

This safety net ensures, according to Sowell, that "over 60 percent of the 1992 burley grades are supported at, or above, \$1.70 a pound" — a figure comparable to the market average two years ago.

Yet McKinney cautioned that, by the close of sales in early 1993, this crop's prices may average, overall, "not much more than last year."

And Robert H. Miller, a USDA economist warned, "This year, buyers will pay top dollar only for well-graded tobacco."

LOWER QUALITY, LOWER PRICES
But how can auction prices for American-grown burley fall to increase when, according to the USDA, the basic support for 1992 burley is \$1.649 a pound — or 6.5 cents more a pound than in 1991?

For the first time in recent years, world burley supplies are expected to exceed demand," Sowell said, so "producers should be aware that prices for mixed or low-quality marketings will likely be discounted in this year's market."

"Some farmers will take home less money," McKinney predicted, because 1992 auctions may be a "multi-priced market."

Poor quality tobacco and tobacco "that has not been graded out properly" will "certainly suffer this year on price," McKinney said.

"We could even see some 'mixed' tobacco bringing \$1.32 a pound," McKinney said. "More likely, though, if the mixed burley is clean, it may receive a \$1.70 price, whereas that same clean tobacco graded out could average \$1.82 or so."

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U.S. burley crop larger than 1991

By Randy Greene

LEXINGTON — When burley auctions begin, November 23, buyers may be more selective than in recent years about the tobacco they purchase.

The reasons?
• **Manufacturers' buying intentions are down for 1992.**
"Intentions" represent the amount of American-grown tobacco that U.S. manufacturers annually announce they will buy.

Indeed, before this year's crop was planted, the U.S. Department of Agriculture reduced burley's national basic quota 7.5 percent — down from 724-million pounds in 1991 to 686.6-million pounds in 1992 because buyers said they wanted less burley.

This quota drop reversed USDA's 1991 actions, which had raised burley's basic quota 20 percent from the previous year.

• **World burley production is up, both among competitors of American-grown burley and in the U.S.**

Between 1987 and 1991, while American growers boosted their production by 54.7 percent, the world production of burley increased 28.1 percent overall, according to an international tobacco analyst, Munaffar Arisoy of Turkey.

Specifically, growers in Argentina, Brazil, Malawi, China, and Thailand, like their American counterparts, significantly increased production — expected this season to exceed 1991 levels that overall, last year, jumped 12 percent over 1990 levels, according to the USDA.

Ironically, these hikes create a surplus of burley in 1992 that comes just a year after industry officials, in 1991, had described the world burley supply as "tight" or short of the actual needs — called "demand" — of turkey.

both U.S. and foreign cigarett smokers.

ACTUAL BURLEY PRODUCTIONS IN 1992

• **The real crunch for American burley growers is that their production numbers are expected to be way up.**

U.S. burley production for 1992 is expected to be 8 percent above 1991 figures, for a total of 711-million pounds, according to the USDA.

Kentucky growers may produce 70 percent of this U.S. total, or 500.5 million pounds, according to USDA.

• **However, 1992 sales may not match production.**
1992-93 marketings are forecasted to total around 700-million pounds, according to the USDA, or a 7-percent hike over 1991 burley sales of 657-million pounds.

But some believe the 1992 U.S. crop will be smaller. Farmers suffered this year from a wet growing season and "less than perfect curing conditions," said Danny McKinney, CEO of the Burley Tobacco Growers Co-operative Association.

So he predicts 1992 U.S. burley production will be "about 692-million pounds, because of this crop is light in weight, and houseburning has also reduced its poundage."

But if USDA estimates prove on target, then growers may face yet another concern.

"An average or below-average quality crop of more than 700-million pounds could result in some disappointed producers this winter, especially those who are forced to sell after the Christmas recess," said William M. Sowell, professor of ag economics at the University of Kentucky.

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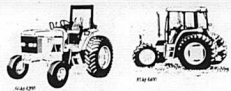


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