

MODERN TOBACCO GROWER

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Chris Bickers, Editor

Why the chaos on the flue-cured market?

For an explanation of the chaotic market for flue-cured market, look no further than the increase earlier this year in the federal excise tax on tobacco products. "I don't think any of the manufacturers anticipated the magnitude and timing of the US excise tax increase," said a reliable source in the leaf trade, a retired leaf dealer who prefers to remain unidentified. "They thought it would be smaller than it ended up and perhaps that it would be phased in over a number of years." Instead, it went into effect after most contracts for the 2009 crop had been signed. Worse, there was an immediate negative impact on cigarette consumption. Remember: Manufacturers buy leaf for use in cigarettes two or three years into the future, he said. "So the first-year impact of any decline in consumption--in light of the new consumption trends--is that manufacturers have overbought for the two prior years." Adequate stocks become excess stocks, and they buy no more than they have to in the current market. There is no reason to expect any different behavior on the current burley market, he said.

Wine like this would be vintage

The eastern NC flue-cured crop was the finest in 40 years, said Rick Smith of Independent Leaf Tobacco Company of Wilson. "It was the best crop I have ever worked on. The yield may have been the largest in history. All our customers are very satisfied with the quality of the crop." Jimmy Hill, who farms near Kinston NC, said, "In our area, most farmers had the best crop they could remember. If it was wine, we would call it vintage--a once in a lifetime crop." South Carolina has a great crop too as did the eastern segment of the Old Belt, said Smith. "But Georgia's production was off because of disease pressure and too much rain, while the western Old Belt suffered badly from drought." Smith knows of no flue-cured area that suffered killing frost while the crop was still in the ground. (Photo: Ripe flue-cured on the farm of Joey Holland near Kenly NC.)

How big is the burley crop?

As recently as a month ago, the Tennessee burley crop appeared headed for production of 29 million pounds. But thanks to late bad weather, 27 million pounds would be a safer bet, said Paul Denton, Kentucky-Tennessee Extension tobacco specialist. For Kentucky, 160 million pounds seems credible to him. If we take USDA's estimate for all burley states, the total is about 215 million pounds. "But I don't think anyone has a line on whether all the non-contracted tobacco that was planted got into any of these estimates." Weather bonus: Look for more red leaf in this year's burley crop than the variegated light color that has been dominant in recent years, Denton added. (Photo: Burley wilts in the field on Joe Ramsey's farm near Weaverville NC).

The challenge of marketing 2009 leaf

The portion of the 2009 flue-cured crop bought by the farmer cooperative "looks excellent in processing," said Albert Johnson of Gallivants Ferry SC, president of US Tobacco Cooperative (USTC, formerly Flue-Cured Stabilization) at its annual meeting on November 12. The cooperative purchased 50 million lbs at an average price of \$1.79 a pound and is vigorously seeking markets. USTC President Tommy Bunn said in an interview that marketing this crop presents a special challenge, since it is a very large crop and is of very high quality and therefore high priced. But that also creates a special opportunity. "We are doing all we can to sell this inventory," he said. "We are trying to be resourceful in finding customers." Nevertheless, Johnson warned that the cooperative may not be able to add any new members in the coming year. And Johnson had another warning for farmer members of the cooperative. "I assure you, you are going to have to keep better records on your farm," he said. "FDA is not going to be on your farm, but your purchaser will be." Be prepared to document such things as when you calibrated your sprayer, he said.

Pipe tobacco added to 1839 line

The 1839 brand of tobacco products introduced by the US Tobacco Cooperative several years ago continues to grow in sales in all markets where it is being sold. It is described as a good quality smoke offered at a reasonable price, and USTC leaders said the association with growers appeals to some consumers. Now, a new product has been added to the 1839 line: 1839 pipe tobacco (left). It is sold in pouches in two blends--Classic Virginia and Smooth Virginia. The previously marketed 1839 products are cigarettes, small cigars and roll-your-own mixtures, with several styles of each.

China shops around

Sales of 52 million pounds of US flue-cured to China were announced in November by North Carolina Agriculture Commissioner Steve Troxler. The tobacco will come from several different sources, including independent leaf dealers and US Tobacco Cooperative. Contrary to initial reports, the sales will include leaf from all the flue-cured-producing states, not just North Carolina. The announcement came just a few weeks after Troxler hosted a delegation of Chinese buyers at the NC State Fair, where one member of the delegation (photo, right) learned how to loop tobacco American style. Just a few days before Troxler's announcement, the governor of the Argentine province of Salta announced that after meeting with Chinese buyers, his province hopes

to export about 18 million pounds of tobacco to China in the coming year. If the deal can be made, the volume would be more than 300% more than Argentina sold to China in 2008.

GA/FL farmers look for new buyers

A group of farmers from Georgia and Florida visited North Carolina in November investigating possible sales opportunities. At the USTC meeting, they said the two states experienced drastically different weather this season. Kenneth Dasher (photo, left) of Live Oak FL--who is a USTC director--said, "Our yields were excellent in Florida. We may have averaged 2,800 to 3,100 lbs per acre. But just 90 miles north, the Georgia farmers had a hard time, he said. "They got too much rain when they were setting out and started out two to three weeks late. Then later in the season, they got more rain and a lot of the tobacco was drowned out. The quality was off." Vickers, who farms near Nashville GA (photo, right), said for him the season could have been worse. "My crop turned out better than I thought it would. But the quality is off significantly, and so is the yield." Sidney Lord of Live Oak FL said the weather wasn't ideal for him. "But we didn't have nearly the problems in Florida that Georgia had. We were happy with the yield. It was about normal." Neither Lord nor Vickers, both Philip Morris USA growers, were happy with the announcement that the company will write no new contracts for 2010. "I have a three-year contract with them with one year left," said Lord. "I am looking for a new company now."

Excise increase ups pipe tobacco sales

There is no telling how long it will last, but pipe tobacco is enjoying a boom in sales. There is no mystery why: After the recent federal tax increase, the excise on roll-your-own (RYO) mixtures is roughly 10 times higher than on pipe tobacco. Consumers have figured out that they can roll pipe mixtures into cigarettes about as well as they can roll RYO mixtures. The Associated Press reports that 1.7 million pounds of pipe tobacco were produced in August. Average production for several years before the tax increase was about a quarter million pounds per month. Federal review of the situation seems certain.

Another delivery station closes

A number of flue-cured farmers were left in limbo when it was revealed that Philip Morris International (PMI) had cancelled its contract with the warehouse that served as its receiving station in Kinston NC. "All we know now is that this station is closed," said grower Jimmy Hill. "We don't know if farmers who have delivered to the station will get the opportunity to deliver elsewhere or not." Modern Tobacco Grower has been reliably informed that PMI is considering closing one of its burley stations soon.

Silent auctions a success in NC

The last sale in the first year of "silent" auctions at Liberty Warehouse in Wilson NC took place on November 19. "The auction was well received by the farmers and the buying community," said organizer Marty Owen of Select Tobacco. "There was a need for this." He estimated that a total of about 4.5 million pounds was auctioned off. He doesn't have an average price. "But the

practical top was \$1.65 or maybe in a few cases as much as \$1.75 per pound." At the low end of the scale, some low quality leaf sold for as little as 85 cents a pound, said Owen. "Every lot of tobacco that was offered here got a price." Perhaps 10% of the farmers rejected the price they were offered. "Most of what was brought to us was tobacco that the contracting companies didn't want, either because it was over contract or there was a quality issue or it didn't fit into the company's needs." There has been a demand for a service like this for burley, and Owen plans to open a similar auction in Mount Sterling KY. The first sale will take place on December 2. For more information, call Owen at (919) 868-2352.

Leaf drop lowers burley production

Some burley yield was lost at the end of the season because of too much rain in October, said K-T Extension specialist Denton. "Some of the earlier-harvested burley suffered from a bacterial soft rot caused by the same organism that causes hollow stalk," he said. "It appeared in many fields that stayed out in the rain too long. It developed on the leaf axils, and many of the leaves snapped off. I saw some burley fields that looked like flue-cured fields with one cropping left. It will affect yield."

Light frosts don't damage Tennessee burley

Burley harvest ran late, and some didn't get banded till early November, but by November 15, all was harvested. Perhaps as much as 50% had been stripped. A little was subjected to frost, but there wasn't much damage. "It would frost one night, then warm up the next two days," said Denton. "Tobacco that has not been cut will recover from that situation pretty well."

Curing for lemon leaf can lead to barn rot

There was a little more barn rot in NC flue-cured barns this year, said Mina Mila, NC Extension plant pathologist. "Some of that may be because farmers closed their barns very soon to improve their chances of producing lemon leaf." Another reason can be barn overloading, she added. Both interfere with ventilation and can lead to yield loss.

Disease mixup costs money

Confusion of black shank with Granville wilt proved expensive for some NC farmers this year. "One farmer used black shank resistant varieties and applied two pints of Ridomil because he thought he had black shank in his flue-cured field," said Mina Mila, NC Extension plant pathologist. "But he still had a 70% loss. He had misidentified the problem, which was Granville wilt." Some other growers treated for target spot on burley when they actually had blue mold, she said. By the way, there was one incidence of blue mold in flue-cured in NC this year.

Extension tobacco days coming up

Learn about flue-cured recommendations for 2009 at NC Tobacco Day 2009, 8 a.m. through lunch on December 3 at the Johnston County Extension Center, 2736 NC 210 Highway,

Smithfield, NC 27577. The SC Statewide Tobacco Meeting for 2009 will be held the following week at the Pee Dee Research and Education center in Florence from 9:30 through lunch December 8.

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