

# 1. Situation and Outlook

A. Blake Brown

*Extension Economist—Agricultural and Resource Economics*

The November crop estimate for U.S. burley tobacco production was 217 million pounds, up from 203 million pounds in 2005. Projected yield per acre for 2006 was 2,097 pounds, up from 2,013 pounds in 2005. Acreage was about 104 million acres, up from 100 million acres in 2005. North Carolina production in 2006 was estimated at 7.6 million pounds, up from 4.9 million pounds in 2005. Yield per acre was estimated at 1,900 pounds, up from 1,650 pounds in 2005. North Carolina's harvested acreage of burley tobacco was estimated at 4,000 acres, up from 3,000 in 2004. Over one-half of North Carolina's burley crop was produced outside the traditional mountain region, in both the piedmont and coastal plain.

World supplies of premium quality burley tobacco remain short. U.S. producers retain a substantial quality advantage over most competitors. Brazilian production exceeded U.S. production in 2006, but is expected to decline below U.S. production in 2007, according to Universal Leaf Tobacco Company's November "World Leaf Production Summary."

Price incentives offered to U.S. producers for the 2006 crop pushed average price per pound well above the \$1.60 mark. Short global supplies will continue to put upward pressure on U.S. burley prices. Production, particularly in nontraditional areas, likely will increase again in 2007.

The limiting factor to continued increases in U.S. production is cost and availability of labor. Dwindling supplies of local labor and stricter enforcement of immigration laws have increased the cost and severely decreased the availability of labor. Many larger farms are using H-2A labor with a total cost per hour of \$12 or more. However, H2-A is not a feasible option for most small or medium-sized farms. The exodus of small producers seems to have leveled off with rising burley prices. Availability and cost of labor will be the primary factors affecting structural change among burley tobacco farms in the next few years.

Additional information on the situation and outlook for burley tobacco may be found online:

[www.ers.usda.gov](http://www.ers.usda.gov)

[www.ces.ncsu.edu/depts/agecon/tobacco\\_econ/](http://www.ces.ncsu.edu/depts/agecon/tobacco_econ/)

## **The Tobacco Transition Payment Program**

---

Producers and former quota owners received the second of 10 payments from the tobacco buyout in 2006. Current information on the Tobacco Transition Payment Program can be found at:

**[www.fsa.usda.gov/tobacco](http://www.fsa.usda.gov/tobacco)**

Information on the tax implications, investment decisions or other issues related to the tobacco buyout can be found at:

**[www.tobaccobuyout.cals.ncsu.edu](http://www.tobaccobuyout.cals.ncsu.edu)**

## **The Burley Tobacco Budgets**

---

The budgets presented in Tables 1-1 and 1-2 are meant to represent costs and returns that are achieved by many growers. These are not average budgets in any sense and should not be construed as representing the average cost of production. They do, however, give you something by which you can check your own costs and see where you may be doing better or where you may find room for improvement.

**Table 1-1a. Burley tobacco: 2006 estimated costs per acre—western N.C.**

	Unit	Quantity	Price or Cost/Unit	Total Per Acre	Your Farm
<b>1. Gross Receipts</b>		Yield (lb/a)	Price (lb)		
Stalk Position: Flying	lb	_____	\$_____	\$_____	
Cutter	lb	_____	\$_____	\$_____	
Leaf	lb	_____	\$_____	\$_____	
Tips	lb	_____	\$_____	\$_____	
<b>Total Receipts</b>				\$_____	\$_____
<b>2. Variable Costs</b>					
Plants (Greenhouse)	thou	7.00	\$40.00	\$280.00	\$_____
Fertilizer: 5-10-15	cwt	10.00	\$15.00	\$150.00	\$_____
Ammonium Nitrate	lb	450.00	\$0.62	\$279.00	\$_____
Lime (Prorated)	ton	0.33	\$42.50	\$14.03	\$_____
Herbicides	acre	1.00	\$46.36	\$46.36	\$_____
Fungicides	acre	1.00	\$199.38	\$199.38	\$_____
Insecticides & Nematicides	acre	1.00	\$12.54	\$12.54	\$_____
Sucker Control	acre	1.00	\$47.00	\$47.00	\$_____
Labor: Preharvest	hr	24.15	\$7.00	\$169.05	\$_____
Harvest	hr	1,200.00	\$0.350	\$420.00	\$_____
Postharvest	hr	81.00	\$6.00	\$486.00	\$_____
Hauling	lb	2,400.00	\$0.02	\$48.00	\$_____
Cover Crop	acre	0.00	\$17.00	\$0.00	\$_____
Crop Insurance	acre	1.00	\$125.00	\$125.00	\$_____
Stick Replacement	acre	25.00	\$1.00	\$25.00	\$_____
Tractor/machinery	acre	1.00	\$95.74	\$95.74	\$_____
Interest On Op. Cap.	dol.	\$598.68	8.0%	\$47.89	\$_____
<b>Total Variable Costs</b>				\$2,444.99	\$_____
<b>3. Income above Variable Costs</b>					\$_____
<b>4. Fixed Costs</b>					
Tractor/machinery	acre	1.00	\$88.75	\$88.75	\$_____
Barn	acre	1.00	\$183.00	183.00	\$_____
<b>Total Fixed Costs:</b>				\$271.75	\$_____
<b>5. Total Costs</b>				\$2,912.34	\$_____
<b>6. Net Returns to Land, Risk, and Management</b>					\$_____

\*Crop insurance: 65% based premium. No disaster subsidies.

\*Please note: This budget is for planning purposes only.

**Table 1-1b. Burley tobacco: 2006 budget requirements and assumptions  
—western N.C.**

<b>Per Acre Machinery and Labor Requirements</b>						
<b>Month</b>	<b>Operation</b>	<b>Times Over</b>	<b>Labor (hr)</b>	<b>Machine (hr)</b>	<b>Variable Costs</b>	<b>Fixed Costs</b>
March	2-bottom plow	1.00	0.62	0.56	\$6.29	\$6.99
April	Rotovator	2.00	3.10	2.82	\$25.22	\$27.12
May	Tobacco transplanter 1-row	1.00	3.39	3.08	\$39.61	\$28.98
May	Tobacco cultivator 1-row	2.00	1.56	1.42	\$11.56	\$8.80
June	3-point hitch sprayer	5.00	1.38	1.25	\$11.10	\$14.65
August	Farm wagon	1.00	0.17	0.15	\$1.96	\$2.21
<b>Totals</b>			<b>10.22</b>	<b>9.28</b>	<b>\$95.74</b>	<b>\$88.75</b>
Unallocated labor (hr/acre)			0.00			

**Per Acre Chemical Use Assumptions**

<b>Month</b>	<b>Chemical</b>	<b>Unit</b>	<b>Quantity</b>	<b>Cost per Unit</b>	<b>Total</b>
<b>INSECTICIDE</b>					
May	acephate (Orthene)	lb	1.00	\$12.54	\$12.54
<b>HERBICIDES</b>					
May	clomazone (Command)	pt	2.00	\$10.13	\$20.26
	sufentrazone (Spartan)	oz	10.00	\$2.61	\$26.10
<b>FUNGICIDES</b>					
June	dimethomorph + mancozeb	lb	7.50	\$14.50	\$108.75
	mefenoxam (Ridomil)	oz	16.00	\$5.66	\$90.63
<b>SUCKER CONTROL</b>					
Aug	flumetraline (Prime+ EC)	gal	0.50	\$57.00	\$28.50
Aug	maleic hydrazide (Royal)	gal	1.50	\$12.33	\$18.50
<b>Total</b>					<b>\$305.28</b>

Prepared by Gary Bullen, David Smith, Loren Fisher, and Joshua Warren  
N.C. State University, Department of Agricultural and Resource Economics

**Table 1-2a. Burley tobacco: 2006 estimated costs per acre—piedmont N.C.**

	Unit	Quantity	Price or Cost/Unit	Total Per Acre	Your Farm
<b>1. Gross Receipts</b>					
		Yield (lb/a)	Price (lb)		
Stalk	Flyings	lb	\$ _____	\$ _____	
Position	Cutter	lb	\$ _____	\$ _____	
	Leaf	lb	\$ _____	\$ _____	
	Tips	lb	\$ _____	\$ _____	
<b>Total Receipts</b>				\$ _____	\$ _____
<b>2. Variable Costs</b>					
Plants (Greenhouse)	thou	6.00	\$25.00	\$150.00	\$ _____
Fertilizer: 8-16-24	cwt	10.00	\$20.50	\$205.00	\$ _____
Ammonium Nitrate	lb	600.00	\$0.62	\$372.00	\$ _____
Lime (Prorated)	ton	0.33	\$42.50	\$14.03	\$ _____
Herbicides	acre	1.00	\$46.36	\$46.36	\$ _____
Fungicides	acre	1.00	\$0.00	\$0.00	\$ _____
Insecticides & Nematicides	acre	1.00	\$12.54	\$12.54	\$ _____
Sucker Control	acre	1.00	\$47.00	\$47.00	\$ _____
Labor: Preharvest	hr	26.00	\$8.51	\$221.26	\$ _____
Harvest	hr	51.00	\$8.51	\$434.01	\$ _____
Postharvest	hr	67.00	\$8.51	\$570.17	\$ _____
Preharvest machinery	hr	3.61	\$8.51	\$30.72	\$ _____
Harvest machinery	hr	8.51	\$8.51	\$72.42	\$ _____
Hauling	lb	2,400	\$0.02	\$48.00	\$ _____
Cover Crop	acre	0.00	\$17.00	\$0.00	\$ _____
Crop Insurance	acre	1.00	\$65.00	\$65.00	\$ _____
Stick Replacement	acre	100.00	\$0.20	\$20.00	\$ _____
Tractor/machinery	acre	1.00	\$129.85	\$129.85	\$ _____
Interest On Op. Cap.	dol.	\$423.47	8.0%	\$33.88	\$ _____
<b>Total Variable Costs</b>				\$2,472.24	\$ _____
<b>3. Income above Variable Costs</b>					\$ _____
<b>4. Fixed Costs</b>					
Tractor/machinery	acre	1.00	\$106.47	\$106.47	\$ _____
Barn	acre	1.00	\$183.00	183.00	\$ _____
<b>Total Fixed Costs:</b>				\$289.47	\$ _____
<b>5. Total Costs</b>				\$2,959.49	\$ _____
<b>6. Net Returns to Land, Risk, and Management</b>					\$ _____

\*Crop insurance: 65% based premium. No disaster subsidies.

\*Producers who employ guest workers also should include other expenses (such as housing and transportation) associated with labor.

\*Please note: This budget is for planning purposes only.

**Table 1-2b. Burley tobacco: 2006 budget requirements and assumptions  
—piedmont N.C.**

<b>Per Acre Machinery and Labor Requirements</b>						
<b>Month</b>	<b>Operation</b>	<b>Times Over</b>	<b>Labor (hr)</b>	<b>Machine (hr)</b>	<b>Variable Costs</b>	<b>Fixed Costs</b>
Nov	Disk harrow, 20 ft	2.00	0.20	0.18	3.90	\$5.98
March	Cultivator, 4-row	2.00	0.42	0.38	6.10	5.40
March	Tobacco bedder, 4-row	1.00	0.18	0.16	\$1.65	\$1.78
April	Tobacco bed shaper, 4-row	1.00	0.18	0.16	\$1.55	\$1.55
May	Tobacco transplanter, 2-row	1.00	1.94	1.76	\$32.88	\$24.83
May–August	Hi-boy, 30 ft boom	7.00	0.69	0.63	\$20.23	\$20.79
Pre-harvest Totals			3.61			
July–Sept	Tobacco Trailer	3.00	8.51	7.74	\$63.54	\$46.14
Harvest Total			8.51			
Totals for selected operations			12.12	11.01	\$129.85	\$106.47
Unallocated labor (hr/acre)			0.00			
<b>Per Acre Chemical Use Assumptions</b>						
<b>Month</b>	<b>Chemical</b>	<b>Unit</b>	<b>Quantity</b>	<b>Cost per Unit</b>	<b>Total</b>	
<b>HERBICIDES</b>						
March	clomazone (Command)	pt	2.00	\$10.13	\$20.26	
	sufentrazone (Spartan)	oz	10.00	\$2.61	\$26.10	
<b>FUNGICIDES</b>						
Mar–April	dimethomorph + mancozeb	lb	0.00	\$14.50	0.00	
March	mefenoxam (Ridomil)	oz	0.00	\$5.66	0.00	
<b>SUCKER CONTROL</b>						
July	flumetraline (Prime+ EC)	gal	0.50	\$57.00	\$28.50	
	maleic hydrazide (Royal)	gal	1.50	\$12.33	\$18.50	
<b>INSECTICIDE</b>						
August	acephate (Orthene)	lb	1.00	\$12.54	\$12.54	
Total					\$105.90	

Prepared by Gary Bullen, David Smith, Loren Fisher, and Joshua Warren  
N.C. State University, Department of Agricultural and Resource Economics