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1955 MARKET FACTORS
CONNECTICUT VALLEY TYPES OF CIGAR BINDER TOBACCO

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Sources of Data

Agricultural Marketing Service, Special Crops Division--information on manufactured tobacco leaf.

Agricultural Marketing Service, Tobacco Division--cigar leaf stocks.

Agricultural Marketing Service, Agricultural Estimates Division--Shade Wrapper production estimates and binder production estimates for years other than 1955.

Commodity Stabilization Service--tobacco under price support loan and support loan levels.

County Agricultural Stabilization and Conservation Offices in the Connecticut Valley--farm acreage plantings.

Department of Commerce, Bureau of the Census--exports of cigar leaf tobacco.

Treasury Department, Internal Revenue Bureau--sales of cigar revenue stamps.

Wisconsin Department of Agriculture Markets Division--Wisconsin tobacco prices.

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MARKET SUMMARY

Looking Ahead

Plantings of Connecticut Valley types of binder tobacco in 1955 are in reasonable balance with the normal use of natural-leaf binders. However, the marketings of Broadleaf and Havana Seed 1955 crops will be less than normal. During the present 1954-55 marketing year, Havana Seed use will probably be above and Broadleaf use, below normal expectations.

The 1955 binder tobacco crops will possibly be competing with manufactured tobacco leaf which within the next two years may become a partial substitute for natural-leaf binders. The impact on growers of this new market threat will be lessened by the availability of price supports.

Looking Back

Dealers' 1954 market prices for cigar-binder tobacco crops were little changed from the 1953 market prices. The 1954 contract prices for unsorted tobacco crops purchased for binder use averaged, by types, as follows: Broadleaf--$.55; Havana Seed--$.52; Northern Wisconsin--$.46; Southern Wisconsin--$.35. These market prices were consistent with maintaining plantings equivalent to the normal (1952-54) rate of binder tobacco use.

Injury in 1954 to many crops throughout the Valley from hail, poor curing conditions, and hurricane winds was one of the reasons that 10 percent of the Broadleaf production and 30 percent of the Havana Seed production moved under price support loan. Of course, much of this Havana Seed tobacco moved under price support loan because of the now accepted normal marketing practice for the Conn-Mass Tobacco Cooperative to assemble, pack, and price a significant proportion of each year's Havana Seed crop.

Broadleaf, Type 51, Statistics, 1951-55

Year	Year's crop	Carry-over stocks	Marketing Year Supply	Marketing Year Disappearance
	Million pounds			
1951	14.4	29.8	44.2	14.1
1952	14.8	30.2	45.0	14.5
1953	14.7	30.5	45.2	13.4
1954	12.8	31.8	44.6	12.1[e]
1955[e]	12.6	32.5	45.1	

Havana Seed, Type 52, Statistics, 1951-55

Year	Year's crop	Carry-over stocks	Marketing Year Supply	Marketing Year Disappearance
	Million pounds			
1951	11.2	27.3	38.5	11.0
1952	9.7	27.5	37.2	12.9
1953	12.1	24.2	36.3	12.0
1954	11.7	24.3	36.0	12.0[e]
1955[e]	10.0	24.0	34.0	

Shade Wrapper, Type 61, Statistics, 1951-55

Year	Year's crop	Carry-over stocks	Marketing Year Supply	Marketing Year Disappearance
	Million pounds			
1951	8.2	13.0	21.2	8.3
1952	8.9	12.9	21.8	10.8
1953	10.3	11.0	21.3	9.9
1954	9.9	11.4	21.3	10.2
1955	8.2[e]	11.1	19.3[e]	

[e]Estimated.

1955 MARKET FACTORS
Connecticut Valley Types of Cigar Binder Tobacco

Arthur W. Dewey*

For twenty years the domestic market-use of natural-leaf binder tobacco has been almost unchanged. This is because the production of cigars, stabilized at 5.5 to 6 billion cigars per year, required natural-leaf binders for which there were no adequate substitutes. Natural-leaf binder tobacco production was necessarily closely geared to the rate of market-use. Thus, production of binder tobacco became stabilized in response to what was an assured constant market demand.

Now, a constant annual consumption of cigars may no longer mean market-use certainty for natural-leaf binders. Continued yearly plantings of 15,000 acres of binder tobacco by 1,500 Connecticut Valley growers are endangered by the possible substitution of manufactured for natural-leaf binders. Although at the present time, the use of manufactured tobacco leaf for binders is still relatively small, the opportunities for reducing manufacturing costs are encouraging cigar manufacturers to study carefully the newly developed substitutes for natural-leaf binders. Possible savings in material and labor cost may be as high as $4.00 per thousand cigars.

This substitution will not materialize, of course, if manufactured leaf proves to be an inadequate replacement for natural-leaf binders. Manufactured tobacco leaf is not a standardized product. Many different types and qualities of tobacco can be used in its manufacture; materials other than

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tobacco can be incorporated; and several quite different manufacturing methods are available. All of these heterogeneous characteristics of manufactured tobacco leaf make its competitive threat to natural-leaf of uncertain proportions.

Moreover, the effects of substituting manufactured for natural-leaf binders on the sale of branded cigars cannot be easily and confidently evaluated by their manufacturers through objective laboratory tests. The binder on a cigar is hidden by the wrapper, and cigars themselves are blends of many types and qualities of cigar leaf. Only indirectly through panels of smokers will cigar manufacturers be able to estimate how the great bulk of their customers will immediately react to changing from natural to manufactured-leaf binders.

A major consequence of substituting manufactured for natural-leaf binders would be irreversible effects on the production of present types and qualities of cigar-binder tobacco. The demand for what has been considered high quality and thus high-priced natural-leaf binder tobacco would be sharply reduced if binder tobacco with the essential "paper-like" quality is needed in much smaller quantities. These high quality natural-leaf binder tobaccos are being produced with continued success only in two areas of the United States--in Wisconsin and in the Connecticut Valley.

Growers in these areas must balance their production with the rate of market-use of their product. To do so, binder tobacco growers must know the probable future use requirements of cigar manufacturers for natural-leaf binders. The production and use of natural-leaf binder tobacco are inextricably tied together. Growers at one end of the cigar production process need reliable information

on the probable use of binder tobacco in finished cigar products. They need to know whether or not market-factor relationships that have been considered normal for the past may be expected to prevail in the immediate future.

The major market factors are five--(1) production, (2) use, (3) stocks and supplies, (4) government marketing programs, and (5) dealer market prices. All of these factors are so related that a change in one factor causes other factors to change. When stable economic conditions prevail over a period of years, the usual tendency is for each market factor to approach a balanced relationship with every other factor. This equilibrium condition among the market factors is what is considered normal.

For the years 1952 to 1954, the relationships among the market factors for Broadleaf and for Havana Seed approached normal. The production of each type was about equal to the use of each type. This equality between production and use also meant that stocks, acreage quotas, support prices and market prices were reasonably consistent with the market-use requirements for each type.

For the future the question is whether or not the normal rate of market use of natural-leaf binders will be maintained. If it is maintained, the presently established normal relationships among market factors will continue to be useful economic indicators of the results of changes in production, stocks and market prices. But, if the rate of use declines from normal, then the present normal market-factor relationships will become only historical perspectives for measuring the competitive inroads of manufactured-leaf tobacco.

Broadleaf Market Factors

Plantings in 1955 of 8,600 acres of Broadleaf were down almost 5 percent from the 9,000 acres planted in 1954. The 1955 planted acreage was slightly below the normal planted acreage required to maintain production in balance with the normal (1952-54) rate of use. In 1954, however, Broadleaf was harvested from only 7,800 acres and production was only 12.8 million pounds. Floods and excessive rainfall in 1955 have reduced the harvested Broadleaf acreage to 7,800 acres again.

The estimated 1955 production of 12.6 million pounds is below the normal disappearance of 14.0 million pounds. However, disappearance during the current 1954-55 marketing year is estimated at the relatively low amount of 12.1 million pounds. The major marketing uncertainty is whether or not the rate of disappearance for the 1955-56 and the 1956-57 marketing years will return to what has been the normal rate.

Carryover stocks held on October 1, 1955, are estimated at 32.5 million pounds and are slightly above stocks holdings on October 1, 1954, of 31.8 million pounds. Because of curtailed production in 1954 and 1955, total supplies on October 1, 1955, are expected to about equal normal.

Support price loan rates for 1955 U. S. grades of Broadleaf will be set on a normal crop basis to average at least 53.9 cents per pound. This is slightly above the comparable loan rate of 53.8 cents per pound for 1954 Broadleaf crops.

Broadleaf Market Factors

Factors	Unit of measurement	Normal (1952-54)	1955
1. Production BL			
Planted acres	Acres	8,800	8,600
Yield, planted	Pounds	1,590	
Harvested acres	Acres	8,500	7,800
Yield, harvested	Pounds	1,650	(1,620)
Total production	Mil. lb.	14.0	(12.6)
2. Use			
Cigar sales, total	Billion	6.0	(6.0)
Over 8 cent sales	"	2.9	(2.9)
Exports BL	Mil. lb.	.3	(.2)
Disappearance BL	" "	14.0	(12.1)
3. Stocks and supplies BL			
July 1 stocks	Mil. lb.	34.5	35.5
Use July 1-Oct. 1	" "	3.0	
Oct. 1 carryover	" "	31.5	(32.5)
Oct. 1 supplies	" "	45.5	(45.1)
4. Government programs			
Quota, cigar types	Mil. lb.	75.9	73.4
" " "	Acres	49,400	47,800
" Broadleaf	"	9,700	9,700
Carryover under loan	Mil. lb.	1.0	(1.0)
Support price BL	Cents	53.6	(53.9)
5. Average market prices			
Binder quality crops			
Unsorted BL	Cents	52-55	?
Sorted BL	Cents	63-68	?

_____ Latest reported data
( ) Estimates based on reported data
BL stands for Broadleaf

Havana Seed Market Factors

Plantings in 1955 of 6,000 acres were down 5 percent from the 6,300 acres of Havana Seed planted in 1954. Losses from floods at harvest time were unusually large and rainfall was limited during a part of the growing season. Production in 1955 is estimated at 10.0 million pounds.

The Havana Seed normal planted acreage and normal total production are equivalents of normal disappearance set in this report at 10.7 million pounds. This normal disappearance is the total of normal domestic disappearance of 10.2 million pounds and normal exports of .5 million pounds. Such estimated normal exports reflect a downward trend in the Havana Seed export rate from the 1952-54 average of 1.3 million pounds.

Actual disappearance during the current, 1954-55 marketing year, however, is estimated at 12.0 million pounds. This rate of use is above the normal rate of use expected for the future, and it is equal to the average disappearance during the past three years.

Estimated carryover stocks for October 1, 1955 of 24.0 million pounds are normal. These stocks are slightly below those of 1954 and show that the 1954 Havana Seed production was slightly below the rate of use.

Support-price loan-rates for 1955 U. S. grades of Havana Seed will be set on a normal crop basis to average at least 50.8 cents a pound. This is slightly below the comparable loan rate of 51.5 cents a pound for 1954 Havana Seed crops.

Havana Seed Market Factors

Factors	Unit of measurement	Normal# (1952-54)	1955
1. Production HS			
Planted acres	Acres	6,000#	6,000
Yield, planted	Pounds	1,780	
Harvested acres	Acres	5,800	5,600
Yield, harvested	Pounds	1,845	(1,780)
Total production	Mil. lb.	10.7#	(10.0)
2. Use			
Cigar sales, total	Billion	6.0	(6.0)
Over 8 cent sales	"	2.9	(2.9)
Exports HS	Mil. lb.	.5#	(.5)
Disappearance HS	" "	10.7#	(12.0)
3. Stocks and supplies HS			
July 1 stocks	Mil. lb.	26.5	26.7
Use July 1-Oct. 1	" "	2.7	
Oct. 1 carryover	" "	23.8	(24.0)
Oct. 1 supplies	" "	34.5	(34.0)
4. Government programs			
Quota, cigar types	Mil. lb.	75.9	73.4
" " "	Acres	49,400	47,800
" Havana Seed	"	7,900	7,900
Carryover under loan	Mil. lb.	2.5	(3.3)
Crop put under loan	" "	2.7	?
Support price HS	Cents	51.3	(50.8)
5. Average market prices HS			
Binder quality crops	Cents	52-55	?

___ Latest available data

( ) Estimates based on latest reported data

HS stands for Havana Seed

#Normal disappearance is set arbitrarily to reflect a decline of 1.0 million pounds below 1952-54 exports. Consequently, normalized production, plantings and stocks were correspondingly reduced.

Government Marketing Programs

Government marketing programs for cigar tobacco provide for acreage quotas, price supports, and disposal of tobacco taken under price-support loans. Acreage quotas and price supports are administered by the Tobacco Division, Commodity Stabilization Service of the U. S. Department of Agriculture. The handling, packing and selling of tobacco taken under loan is handled by the Conn-Mass Tobacco Cooperative.

Each year a single acreage quota is established for the combined 6 cigar filler and binder tobacco types--42-44, 51, 52, 53, 54, and 55. This quota is apportioned principally among Connecticut, Massachusetts, Ohio and Wisconsin where most of the quota types of cigar tobacco are grown. Acreage quotas are not set for the separate tobacco types and the estimates made in this report of Broadleaf and Havana Seed quotas are merely the sums of quotas available to Broadleaf and to Havana Seed growers respectively.

Available for the cigar types of tobacco under quota in 1955 were 47,800 quota acres; 36,200 acres, or 75 percent of the quota, were planted. The yearly acreage quota is set by formula provided for in Congressional legislation that includes the following items: (1) the estimated normal year's domestic consumption; (2) the estimated normal year's exports, (3) carryover at the beginning and (4) estimated carryover at the end of the marketing year, and (5) discretionary authority granted to the Secretary of Agriculture for increasing the national quota. The 1955 marketing quota for cigar types of tobacco was adjusted upward from the formula 20 percent.

Price supports are set at 90 percent of parity and are mandatory when marketing quotas are in effect. The level of price supports as provided in present Congressional legislation is based on (1) the 10-year average of the multi-type cigar tobacco prices, (2) the 10-year average of prices received by U. S. farmers and (3) the current index of prices paid by U. S. farmers including interest, taxes and wage rates.

Acreage quotas available to Broadleaf growers appear to have been effective in preventing Broadleaf plantings from exceeding normal (1952-54) requirements. Almost 90 percent of the Broadleaf acreage quota was planted in 1955. Only about 75 percent of the 1955 quota acreage available to Havana Seed growers was planted. The price support operations, rather than acreage quota controls, have been a more important marketing factor for Havana Seed than for Broadleaf.

Beginning in 1949, and except for 1952 when quotas and price supports were not in effect, from 1.8 to 3.7 million pounds of Havana Seed in each year's crop moved under price support loan. The 3.4 million pounds of the 1954 Havana Seed crop put under loan represented 29 percent of the Havana Seed produced in 1954.

Relatively large amounts of tobacco moving under price support loan are not necessarily indicative of any decline in the rate of market use. Nor are such receipts of loan tobacco indicative of an imbalance between production and use.

Buyers of tobacco have found it economical from year to year to acquire varying proportions of their needs for Connecticut Valley binder types of tobacco, not from growers directly, but from the Conn-Mass Tobacco Cooperative. Much more important than the trend in stocks that are under loan is the trend in total carryover stocks. No change in carryover stocks from year to year means that production is in balance with use.

Mandatory acreage quotas and price supports will be in effect for Broadleaf and Havana Seed crops in 1956. In the fall of 1956, growers will vote on whether or not to accept acreage quotas (and consequently, price supports) for the next three crops or to reject quotas. Congress has eliminated the alternative of quotas for just one year.

Cigar Sales

During 1955 and for the three years 1952 to 1954, as well, cigar sales have been steady at the rate of 6 billion cigars per year. Almost half of the total cigar sales are cigars priced to retail at over 8 cents. Increased sales of cigars priced at 6 cents or less have been counter-balanced by decreased sales of cigars priced at 6.1 to 8.0 cents. Sales of over 8 cent cigars are steady.

Billion Cigars Sold

	Total	Over 8¢
1952	6.0	2.9
1953	6.1	2.9
1954	6.0	2.9

Exports

The trend of exports of cigar binder tobacco types is sharply down. Shade Wrapper exports, on the other hand, are reasonably stable and account for almost 25 percent of the total annual disappearance of Shade Wrapper tobacco. Because the exports of the binder types account for less than 5 percent of the total disappearances of each of those types, binder tobacco growers must rely almost wholly on domestic use outlets.

Binder and Wrapper Exports

	Broad-leaf	Havana Seed	Wiscon-sin	Shade Wrapper
	(Export Weight, mil. lb.)			
1952	.8	1.6	.4	3.1
1953	.6	1.3	1.2	3.9
1954	.4	.7	.2	3.5
1955	(.1)*	(.2)*	(.2)*	(1.8)*

*Six month exports for 1955.