

ECONOMIC & POLICY UPDATE

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2021 Tobacco Budgets

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The 2021 burley and dark tobacco budgets can be accessed at <https://agecon.ca.uky.edu/budgets#Tobacco>. These budgets are developed by Alan Galloway, University of Tennessee (UT), Bob Pearce, Andy Bailey, and Will Snell, from the University of Kentucky (UK).

As we always like to remind our users, budgets are just a tool that producers should draw upon in their decision-making. The costs and returns evolving from these budgets are based on assumptions made from UK and UT economists and tobacco production specialists. Every farm will have a different set of assumptions based on their unique production, management, and marketing outcomes. I have always claimed that tobacco returns will generally generate a much greater variation across growers compared to many other agricultural enterprises given tobacco producer differences in labor source (H2A vs non-H2A), labor requirements, yield expectations, equipment and housing/stripping facilities, GAP fees, and price outcomes. Consequently, growers are encouraged to use our budget templates to develop a baseline that fits their individual farm and then look at our price and yield sensitivity tables to assess a wide variety of outcomes.

General Observations for 2021

Burley – Given our base scenario assumptions (2,300 lb yield, \$2.00/lb market price, 150 hours of hired labor at \$15.10/hr, and \$550/acre fixed costs) the net return to operator labor and management for 2021 is projected to be \$115/acre. In comparison, during the early years after the buyout, burley producers generally anticipated a return to labor and management in the neighborhood of \$1000/acre.

Dark – Dark tobacco returns continue to dwarf burley returns but are also being adversely impacted by increased labor and other costs coupled with minimal gains in market prices. For 2021, our base

scenarios yield a net return to operator labor and management of \$1,124/acre for dark air-cured tobacco and \$1,812/acre for dark fire-cured tobacco.

The tables below provide burley, dark air-cured, and dark fire-cured returns **above variable costs** for various prices and yields. This would represent the income left over after paying all cash costs to compensate the value of operator labor, land, fixed costs, and management.

**BURLEY PER ACRE RETURN OVER VARIABLE COSTS
AT VARYING YIELDS AND PRICES**

Yield/Acre	Average Sale Price Per Pound				
	\$1.90	\$1.95	\$2.00	\$2.05	\$2.10
2000	\$76	\$176	\$276	\$376	\$476
2100	\$266	\$371	\$476	\$581	\$686
2200	\$456	\$566	\$676	\$786	\$896
2300	\$646	\$761	\$876	\$991	\$1,106
2400	\$836	\$956	\$1,076	\$1,196	\$1,316
2500	\$1,026	\$1,151	\$1,276	\$1,401	\$1,526

**DARK AIR-CURED PER ACRE RETURN OVER VARIABLE COSTS
AT VARYING YIELDS AND PRICES**

Yield/Acre	Average Sale Price Per Pound				
	\$2.05	\$2.15	\$2.25	\$2.35	\$2.45
2500	\$674	\$924	\$1,174	\$1,424	\$1,674
2600	\$879	\$1,139	\$1,399	\$1,659	\$1,919
2700	\$1,084	\$1,354	\$1,624	\$1,894	\$2,164
2800	\$1,289	\$1,569	\$1,849	\$2,129	\$2,409
2900	\$1,494	\$1,784	\$2,074	\$2,364	\$2,654
3000	\$1,699	\$1,999	\$2,299	\$2,599	\$2,899
3100	\$1,904	\$2,214	\$2,524	\$2,834	\$3,144
3200	\$2,109	\$2,429	\$2,749	\$3,069	\$3,389

**DARK FIRE-CURED PER ACRE RETURN OVER VARIABLE COSTS
AT VARYING YIELDS AND PRICES**

Yield/Acre	Average Sale Price Per Pound				
	\$2.35	\$2.45	\$2.55	\$2.65	\$2.75
2700	\$947	\$1,217	\$1,487	\$1,757	\$2,027
2800	\$1,182	\$1,462	\$1,742	\$2,022	\$2,302
2900	\$1,417	\$1,707	\$1,997	\$2,287	\$2,577
3000	\$1,652	\$1,952	\$2,252	\$2,552	\$2,852
3100	\$1,887	\$2,197	\$2,507	\$2,817	\$3,127
3200	\$2,122	\$2,442	\$2,762	\$3,082	\$3,402
3300	\$2,357	\$2,687	\$3,017	\$3,347	\$3,677
3400	\$2,592	\$2,932	\$3,272	\$3,612	\$3,952

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