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2023 Tobacco Update

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The 2023 tobacco harvest is well underway for the 2023 season. This is setting up to be a late harvested crop as early weather conditions delayed progress. While there are pockets of very good crops, excessive rain has certainly had a negative impact on the crop in certain areas, especially the dark tobacco crop in the Purchase region.

Despite continued declines in overall tobacco demand, burley supplies entered 2023 extremely tight, prompting some (but not all) cigarette manufacturers and dealers to offer higher contract volumes and contract prices for the 2023 burley crop. The [August 2023 USDA crop report](#), estimated that Kentucky burley will harvest an additional 1,000 acres (+3.6%) compared to 2022. U.S. burley acres are forecast to be 3.1% higher in 2023, with an average yield of 1,975 lbs/acre. USDA is projecting a 2023 U.S. burley crop totaling 66 million pounds (+13%) versus last year's 58.6 million pound crop. In comparison, The [August 2023 Universal Leaf crop report](#) estimates an 84 million pound U.S. burley crop in 2023. While industry may desire a 70+ million pound U.S. burley crop in 2023, it may be a challenge for production to exceed much above 60 million pounds.

While burley demand is shrinking worldwide as global blended-cigarette sales decline, the [August 2023 Universal Leaf report](#) estimates that Africa (and a small amount of burley from the Middle East) will go from a burley crop totaling 278 million pounds in 2022 to 379 million pounds in 2023 and 445 million pounds in 2024. World burley production is forecast by Universal Leaf to increase by more than 40% in 2024 vs. 2022, with U.S. burley production remaining stagnant in 2024 vs. 2023.

On the trade front, tight global supplies are moving limited supplies of U.S. burley overseas so far in 2023, but U.S. burley leaf exports remain at negligible levels (13 million pounds in 2022). Alternatively, imports of foreign burley into the U.S. remain a challenge for the domestic burley sector (73 million pounds in 2022). So far in 2023 (through June), U.S. burley imports are 57% higher compared to the same period last year. In recent years, U.S. manufacturers and dealers have imported more burley leaf than U.S. burley growers have actually produced, resulting in import use by domestic manufacturers remaining over 50%. Import quota restrictions were put in place in 1996 when U.S. cigarette production hit record high levels, While these import quotas have never been adjusted, U.S. cigarette production has declined by 75%, while cigarette leaf imports accounted for by trade restrictions have only declined by 30%. Consequently, tobacco farm organizations are examining various policy options to address this trade imbalance.

On the product side, U.S. cigarette sales continue to slump as consumers switch to alternative nicotine products. After falling 8.7% in 2022, U.S. cigarette production is down 8% so far in 2023 with

consumers shifting to non-premium brands amid inflationary pressures on smoker purchasing decisions.

Unlike Burley, dark tobacco contract volume was reduced significantly in 2023 with an abrupt change in consumer market demand for snuff versus other smokeless tobacco products. The U.S. smokeless tobacco category indicates sale volumes up by more than 4% over the past twelve months, but this includes the rapidly expanding nicotine pouch sales (up over 50% so far in 2023), which significantly reduces the need for Kentucky/Tennessee dark tobaccos. Following decades of expansion, U.S. snuff sales were down 5.5% in 2022 and are declining by more than 5% so far again in 2023.

USDA estimates that U.S. dark tobacco acres are down 16% in 2023. The August 2023 crop report estimates U.S. dark fire-cured production at 41.1 million pounds (-20%) while U.S. dark air-cured production is forecast at 22.6 million pounds (-10%) compared to last year. Recent weather events will likely cause these estimates to decline in the coming months. In response to declining burley and dark tobacco profitability, some growers continue to examine Connecticut Broadleaf as an alternative option given the existing tobacco infrastructure. While prices are much higher, yields are generally lower with greater management demands and profitability depending on having a high percentage of the crop graded as a wrapper leaf for cigar production.

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