

Economic & Policy Update

E-newsletter Volume 23, Issue 4

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APR
2023

Tobacco Economics Update

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Published: April 6th, 2023

- The 2023 Kentucky-Tennessee tobacco budgets for burley, dark air-cured, dark fire-cured, cigar wrapper tobaccos are available on the UK Ag Economics [budgets page](#). Keep in mind that tobacco returns will generally generate a much greater variation across growers compared to many other agricultural enterprises given tobacco producer differences in the primary labor source (H2A vs non-H2A), labor hours, 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 review price and yield sensitivity tables (a separate tab in the spreadsheet) to assess a wide variety of outcomes. Below is one of the burley sensitivity tables given budget default values, along with varying yields and prices for expected per acre returns above variable (cash) costs. This represents anticipated net returns to management, operator labor, land, and fixed (overhead) costs.

Table 1: 2023 Burley per acre Return Above Variable Costs at Varying Yields and Prices

Yield per Acre	Average Sale Price Per Pound				
	\$2.10	\$2.20	\$2.30	\$2.40	\$2.50
1900	-\$424	-\$234	-\$44	\$146	\$336
2000	-\$214	-\$14	\$186	\$386	\$586
2100	-\$4	\$206	\$416	\$626	\$836
2200	\$206	\$426	\$646	\$866	\$1,086
2300	\$416	\$646	\$876	\$1,106	\$1,336
2400	\$626	\$866	\$1,106	\$1,346	\$1,586

- Demand for U.S. burley continues to be suppressed amidst depressed exports and accelerating declines in premium U.S. cigarette sale volumes in the United States (down nearly 10% over the past twelve months). Despite reduced aggregate needs for burley by cigarette manufacturers worldwide, burley remains in a relatively tight global supply/demand balance given smaller than desired U.S. burley crops in recent years and reductions in burley supplies outside the U.S. Consequently most, but not all, U.S. burley buying interests offered a vanishing burley grower base additional production opportunities for 2023.

- Based on burley contract price schedules among the top 6 buyers, the weighted average price for the 2023 crop given a “typical” crop throw is \$2.46/lb for a crop that has 50/50 split among the top two quality grades (\$2.44/lb with 25/75 split). The top buyer average with a 50/50 split among the top two quality grades is \$2.50/lb with the lowest buyer average being \$2.35/lb. This compares to the burley price averaging \$2.17/lb for the 2022 crop.

Table 2: 2023 Burley Prices per Grade: Top 6 Buyers

Buyer	Grade		
	1	2	3
A	\$2.42	\$2.35	\$1.92
B	\$2.52	\$2.48	\$2.13
C	\$2.50	\$2.39	\$2.05
D	\$2.51	\$2.42	\$1.97
E	\$2.47	\$2.40	\$2.01
F	\$2.39	\$2.29	\$2.09

- Changes in dark tobacco contract volumes for 2023 varied considerably among companies, but overall were down significantly amidst a changing smokeless tobacco product market. Overall, U.S. smokeless product sale volumes continue to increase, but domestic sales of most major premium moist snuff products have generally been down in the 5% to 10% range over the past year, while sales of tobacco-free nicotine pouches (a substitutable product for moist snuff consumers) increased by nearly 40% over the past twelve months.
- [USDA’s 2023 Prospective Plantings report](#) indicates that burley tobacco growers in Kentucky intend to set 31,000 acres up 3,000 acres (+11%) from 2022. For the burley producing states, USDA’s March planting intention survey reveals growers plan to set 35,370 acres, (+9%) which would yield around a 70 million pound crop – still potentially lower than the industry needs in these tight market conditions. For dark tobacco, USDA expects U.S. dark fire acreage to be down 10%, while U.S. dark air cured acres are projected to be 12% lower in 2023 compared to last year.

Recommended Citation Format:

Snell, W. “[Tobacco Economics Update](#).” *Economic and Policy Update* (23):4, Department of Agricultural Economics, University of Kentucky, April 6th, 2023.

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