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# **COSTS and RETURNS**



**Commercial  
Tobacco  
Farms**

**Coastal Plain,  
North Carolina**

**1965**

## FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1965 costs and returns studies have been conducted on the following:

- Dairy Farms, Northeast and Midwest
- Corn Belt Farms
- Egg-Producing Farms, New Jersey
- Broiler Farms, Maine, Delmarva, and Georgia
- Cotton Farms
- Tobacco Farms, Coastal Plain, North Carolina
- Tobacco-Livestock Farms, Bluegrass Area, Kentucky
- Wheat Farms, Plains and Pacific Northwest
- Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1965 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1965.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

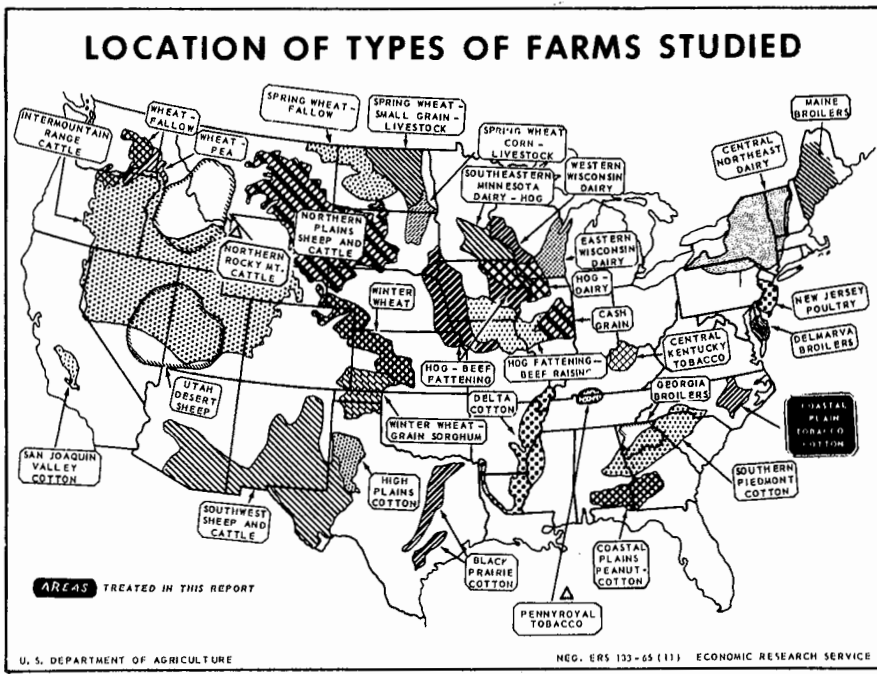


Figure 1

# COSTS AND RETURNS

## COMMERCIAL TOBACCO FARMS

### COASTAL PLAIN, NORTH CAROLINA, 1965

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In 1965 net farm incomes were considerably below the near-record highs of 1964 on tobacco and tobacco-cotton farms in the Coastal Plain of North Carolina (figs. 1 and 2). Net returns in 1964 and 1965 on typical farms in this important flue-cured tobacco area were:

	<u>1964</u>	<u>1965</u>	<u>1965 as a per- cent of 1964</u>
Tobacco farms . . . . .	\$6,425	\$5,296	82
Tobacco-cotton farms . . . . .	6,343	4,960	78

Income in 1965 was below a year earlier chiefly because of a substantial reduction in tobacco production per farm. Both acreage harvested and yield per acre were below 1964 levels and they were also below 1965 acreage and poundage quotas (table 1). Preliminary estimates indicate that these producers marketed only about 86 percent of their poundage quota in 1965. The acreage-poundage program provides that such undermarketings may be added to the quota for the following year.

Near-record high prices for flue-cured tobacco in 1965 offset some of the effects of the decline in tobacco production on these farms. The average price received for flue-cured tobacco in this area in 1965 was \$63.49 per hundred pounds, up \$5.84 from the previous year and

second only to the record-high price of 1961.

Poundage quotas for both types of farms averaged 2,014 pounds per acre. However, the yield for 1965 averaged 1,855 pounds per acre, 19 percent below 1964 and the lowest since 1959. Excessive rainfall during the latter part of the growing season and at harvesttime was largely responsible for the reduced yields.

Although flue-cured acreage allotments under the acreage-poundage program were about 5 percent below the allotted acreage for 1964, harvested acreage in this area was down nearly 12 percent. Prior to the adoption of the acreage-poundage program a reduction of 19.5 percent in acreage was announced. It is believed that many

# COASTAL PLAIN, NORTH CAROLINA

*Location of Types of Farms Studied*



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Figure 2

Table 1.- Size, organization, and production, tobacco farms, Coastal Plain,  
North Carolina, 1964 and 1965

Item	Unit	Tobacco farms		Tobacco-cotton farms	
		1964	1965 <u>1/</u>	1964	1965 <u>1/</u>
Land in farm.....	Acre	96	97	105	107
Cropland harvested.....	do.	34.9	33.2	41.1	39.5
Crops harvested:					
Tobacco.....	do.	7.7	6.8	7.5	6.6
Cotton.....	do.	---	---	7.4	7.2
Corn.....	do.	17.0	16.5	15.1	14.6
Soybeans.....	do.	5.5	5.9	5.9	6.4
Hay.....	do.	1.4	1.4	1.6	1.6
Other crops.....	do.	3.3	2.6	3.6	3.1
ω Crop yields per harvested acre:					
Tobacco.....	Pound	2,276	1,855	2,276	1,855
Cotton.....	do.	---	---	489	303
Corn.....	Bushel	63	74	63	74
Soybeans.....	do.	25	27	25	27
Hay.....	Ton	1.4	1.6	1.4	1.6
All cattle, Jan. 1.....	Number	1.2	1.2	1.5	1.5
Brood sows.....	do.	1.4	1.4	1.3	1.3
Total farm capital, Jan. 1.....	Dollar	41,370	43,540	44,920	47,720
Land and buildings.....	do.	35,900	37,930	39,270	41,840
Machinery and equipment.....	do.	4,480	4,650	4,740	4,940
Livestock.....	do.	460	420	460	450
Crops.....	do.	530	540	450	490
Total labor used.....	Hour	5,700	4,570	6,690	5,280
Operator and family.....	do.	2,420	2,000	2,600	2,120
Hired.....	do.	3,280	2,570	4,090	3,160

1/ Preliminary.

farmers had made their plans to plant before the adoption of acreage-poundage and were unable to change and plant all of the restored acreage.

U.S. growers of flue-cured tobacco voted on May 4, 1965, to replace the acreage allotment program with the new acreage-poundage program for their 1965, 1966, and 1967 crops. The acreage-poundage program provided a 1965 national marketing quota for flue-cured tobacco of 1,126 million pounds, with an acreage allotment of 607,335 acres.

Acreage allotments were allocated among U.S. farms by multiplying a farm's 1965 acreage allotment, as determined under the acreage allotment program, by 1.18. A preliminary yield for each farm was determined by averaging the 3 highest yields for that farm during the period 1959-1963. However, if a farm's average yield was below 80 percent of the community average yield it was adjusted up to the 80 percent level. If the average yield exceeded 120 percent of the community yield it was adjusted downward--though not below the 120 percent level--by averaging the farm's yield with the "national yield goal." The allotment and preliminary yield data for all farms were summarized to calculate the national average yield per acre, which was then compared with the national yield goal. The national yield goal in 1965 was 1,854 pounds per acre, 6.5 percent below the national average yield per acre. Each farm's average yield was thereby reduced by 6.5 percent and multiplied by the farm's acreage allotment to set the poundage quota for the farm.

A producer can market up to 10 percent more than his poundage quota without penalty but such overmarket-

ings will be deducted from the farm's quota the following year. If marketings from a farm are less than the poundage quota the undermarketings will be added to the farm's quota for the following year.

## Tobacco Farms

Gross farm income was down 14 percent compared with 1964 on typical tobacco farms in the Coastal Plain of North Carolina (tables 2 and 3). Operating expense also declined and net farm income was the lowest since 1959 (table 4).

Net farm income in 1965 was below the annual averages in the early 1960s, but, except for 1958, it was higher than in any year during the 1950s. Although the acreage of tobacco per farm in 1965 was the smallest since 1950 the yield per acre and the average price in 1965 were both substantially above those of the earlier period.<sup>1</sup>

Cash receipts in 1965 from tobacco were down \$2,028 per farm from a year earlier. Prices received for tobacco increased but production declined 29 percent. Sales of tobacco accounted for 70 percent of gross farm income in 1965 and for 76 percent in 1964 (fig. 3).

Cash receipts from soybeans were up slightly in 1965 because production increased more than enough to compensate for a decline of 23 cents per bushel in the soybean price. On the other hand, the price of corn declined 4 cents per bushel but was offset by greater corn production, and receipts from this

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<sup>1</sup> Statistics for earlier years are reported in Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina 1964, FCR-29, USDA, ERS, May 1965.

Table 2.- Income, costs and returns, tobacco farms, Coastal Plain,  
North Carolina, 1964 and 1965

Item	Unit	Tobacco farms		Tobacco-cotton farms	
		1964	1965 <u>1/</u>	1964	1965 <u>1/</u>
Gross farm income.....	Dollar	12,831	11,097	13,598	11,466
Operating expenses.....	do.	6,406	5,801	7,255	6,506
Net farm income.....	do.	6,425	5,296	6,343	4,960
INDEX NUMBERS (1957-59=100):					
Net farm income.....	---	161	132	160	125
Net farm production.....	---	136	107	139	107
Operating expense per unit of production.....	---	93	107	95	110
Production per unit of input.....	---	125	111	123	107
Prices received for products sold.....	---	101	110	101	109
Prices paid, including wages to hired labor.....	---	112	115	113	115

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Table 3.- Gross farm income, tobacco farms, Coastal Plain,  
North Carolina, 1964 and 1965

Item	Tobacco farms		Tobacco-cotton farms	
	1964	1965 <u>1/</u>	1964	1965 <u>1/</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Total cash receipts.....	12,215	10,418	12,918	10,774
Tobacco.....	9,798	7,770	9,544	7,542
Cotton, lint and seed.....	---	---	1,220	733
Corn.....	949	949	844	908
Soybeans.....	350	362	376	394
Other crops.....	276	176	185	180
Livestock and livestock products.....	522	784	413	609
Other, including Government payments.....	320	377	336	408
Value of perquisites.....	613	606	640	637
Change in inventory, crops and livestock.....	3	73	40	55
Gross farm income.....	12,831	11,097	13,598	11,466

1/ Preliminary.



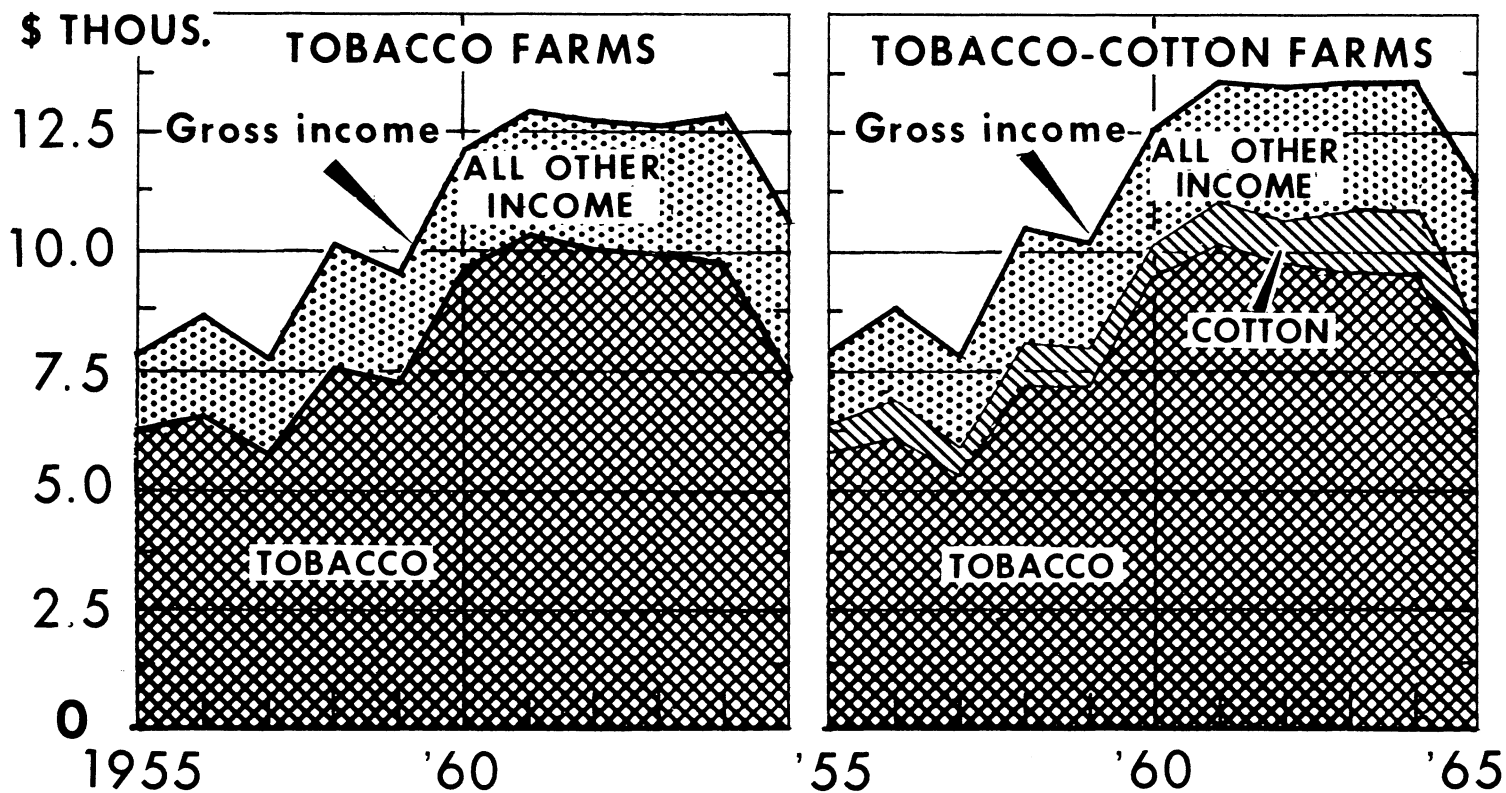
Table 4.- Operating expenses, tobacco farms, Coastal Plain,  
North Carolina, 1964 and 1965

Item	Tobacco farms		Tobacco-cotton farms	
	1964	1965 <u>1/</u>	1964	1965 <u>1/</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Total cash expenditures.....	6,427	5,832	7,287	6,542
Crop expense.....	1,674	1,464	1,746	1,548
Feed and other livestock expense.....	118	131	105	114
Machinery.....	1,705	1,732	1,903	1,899
Hired labor.....	2,312	1,862	2,881	2,286
Farm buildings and fences.....	352	368	372	405
Taxes.....	190	198	206	216
Other.....	76	77	74	74
Inventory adjustment, machinery and buildings.....	-21	-31	-32	-36
Total operating expenses.....	6,406	5,801	7,255	6,506

1/ Preliminary.

# GROSS FARM INCOME AND RECEIPTS FROM TOBACCO AND COTTON

## *Coastal Plain, North Carolina*



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Figure 3

crop were unchanged from a year earlier.

Hog prices increased 33 percent in 1965. Hog production also increased slightly, thereby increasing returns from the hog enterprise by \$261 per farm.

Prices received for all products sold on these farms averaged 9 percent above those of 1964. Government payments were a little higher in 1965 due to increased payments from the feed grain program.

In 1965, operating expense per farm declined 9 percent. Reduction in tobacco acreage and in yield per acre were largely responsible. Expenditures for hired labor declined \$450 per farm despite slightly higher wage rates. Less labor was needed in the harvesting and market preparation of the smaller tobacco crop. Also, because of the smaller acreage of tobacco, expenditures for fertilizer, pesticides, and fuel for curing tobacco declined. Prices paid for all goods and services used in production on these farms increased nearly 3 percent.

## Tobacco-Cotton Farms

Gross farm income on typical tobacco-cotton farms declined 16 percent from the previous year. Operating expense per farm was down \$749, and net farm income dropped to the lowest level since 1959.

Receipts from tobacco and cotton were substantially below those of a year earlier but returns from corn, soybeans, and livestock were up from 1964.

Reduced yields and acreages of tobacco and cotton were responsible for the lower returns. Tobacco production per farm in 1965 was only 72 percent of the previous year's. Harvested acreage of tobacco and yield per acre were down 12 and 19 percent, respectively. Cotton acreage was only slightly below 1964 but yield per acre was down 38 percent. Too much rain during June and July was an important factor in reducing both tobacco and cotton yields. Boll weevil infestation of cotton was unusually high during 1965 and the excessive rainfall hindered insect control programs. Prices received for tobacco improved in 1965 whereas cotton prices were practically unchanged from a year earlier.

Prices received for all products sold on these farms in 1965 averaged 8 percent above a year earlier due chiefly to the higher tobacco price.

Government payments were up slightly as earnings under the cotton and feed grain programs were higher than in 1964.

Smaller acreages and lower yields of tobacco and cotton resulted in lower operating expenses in 1965. Outlays for hired labor, machinery operation, pesticides, fertilizer, cotton ginning, and miscellaneous crop expense were reduced in 1965. Expenditures for feed, livestock expenses, costs of repairs on buildings and fences, and taxes all rose.

Prices paid for all goods and services used in production on these farms averaged nearly 2 percent higher in 1965.

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