

# FARMLINE

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**East European  
Countries Struggle  
to Adapt to  
Free Markets**





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## PERSPECTIVES

**S**low growth will likely characterize the U.S. economy in 1992, continuing the general trend of the last 3 years, according to economist Ralph Monaco of USDA's Economic Research Service (ERS).

**Real gross domestic product (GDP)** is expected to grow less than 2 percent this year, but more than 3 percent in 1993. "But high unemployment and slow growth will help hold down the already-low inflation rate," Monaco says.

**Per capita disposable income, an important indicator** of the health of the Nation's economy, has declined five times in the last six quarters. Analysts project that it will grow this year—although, once again, at a very slow pace.

**Consumer spending, a major force** driving the economy, declined in 1991. "People are reducing their debt and boosting their savings rather than buying goods and services," Monaco explains. "This contributes to sluggishness in the economy." The rate of personal savings is higher now than it has been in 5 years.

**Low consumer confidence may also be reducing** consumer spending. "Consumer confidence has dropped sharply over the past year, and some measures are nearing record lows," Monaco says. "This pessimism may be causing consumers to postpone big-ticket purchases, such as homes and cars."

**Business investment spending, another vital** economic force, has fallen for five straight quarters. Government spending has been flat since 1989. But residential building is rising, although from a very low level.

**Unemployment has climbed to 7.3 percent**, the highest rate since 1985. "Even though this figure is high, it was much higher in the 1982 recession, when it reached 10.8 percent," Monaco says.

**The Federal Reserve Board has been lowering** short-term interest rates in an effort to encourage cautious consumers and businesses to increase their spending. "However, there remains an unusually large gap between short- and long-term interest rates," Monaco says. "Many analysts are concerned that long-term rates are too high, and may be constraining business and consumer spending."

**On a brighter note, the Nation's trade deficit fell** substantially in 1991, reaching its lowest level since 1982. "But as the economy improves and consumer spending goes up, our demand for foreign products will rise, and the deficit could increase," Monaco says.

— Priscilla B. Glynn

# FARMLINE

AGRICULTURE...NATURAL RESOURCES...RURAL DEVELOPMENT  
Practical economic intelligence from USDA's Economic Research Service

## FEATURES

### East European Countries Struggle to Adapt to Free Markets *Jack Harrison* 4

The collapse of Communism in Eastern and Central Europe brought about the end not only of a form of government, but a way of life. Farmers in these nations must now make many of their own decisions, while their governments try to help them respond to market forces. The outlook for U.S. agricultural exports to the region, although not bright in the short run, is expected to improve in the future.

### Growing Foreign Demand May Boost U.S. Burley Exports *Doug Martinez* 10

Burley tobacco is an important component in cigarettes, particularly the American blend that is increasingly popular worldwide. Although the United States is the world's largest burley producer, much of growers' quota goes unproduced. But if overseas demand continues to expand, it could prompt burley farmers to increase production.

### Livestock Cash Receipts Outshine Crops *Jack Harrison* 14

Of the nearly \$170 billion earned by U.S. agricultural producers in 1990, \$89.6 billion came from livestock and related products, and \$80.4 billion from crops. Cattle and calves, the Nation's leading commodity, accounted for \$39.7 billion and ranked as the number one farm product in 18 States.

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## SPECIAL IN THIS ISSUE

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This handy guide provides telephone numbers of key specialists in USDA's Economic Research Service and National Agricultural Statistics Service. The listings are arranged by subject to help you find the right person to answer questions about crops, livestock, farmland prices, trade, and a variety of other topics.





# East European Countries Struggle To Adapt to Free Markets

A few days of cheering and flag-waving to celebrate the end of Communism are likely to be followed by years of difficult adjustment to a new way of life.

Seven Central and East European countries (CEE's) are involved in such a transition—from centrally planned to market-oriented economies.

A significant portion of the changes are occurring in the agricultural sectors of the CEE's. These changes could have substantial impact on trade volume, and therefore on U.S. agriculture, according to analysts in USDA's Economic Research Service (ERS).

They say that ultimately, markets for U.S. farm products should improve as the strengthened economies of the CEE's are able to provide for increased purchases of U.S. commodities. In the immediate future, however, imports are likely to be lower.

The seven countries are Albania, Bulgaria, the Czech and Slovak Federal Republic (CSFR), Hungary, Poland, Romania, and Yugoslavia. They have a total population of about 130 million and a land area of about

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***"Some stability is returning to the region, and market forces are beginning to work."***

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280 million acres. This is about half as many people as the United States but less than 10 percent as much land.

Incomes in the CEE's are considerably lower than those of leading industrialized countries, but substantially above many developing countries. Per capita incomes in 1990 ranged from less than \$1,200 in Albania to \$7,500 in the CSFR.

## **Long-Term Prospects Favorable**

"Longer term growth prospects for agriculture in the CEE's are favorable," says ERS economist Jason Lamb. He adds that the region has good natural resources, but agricultural productivity in several countries is generally low by Western standards, because of poor technology, resource use, and management practices. On the positive side, the CEE's have a labor force that is well educated, trained, and specialized.

Lamb says that farm profitability in the CEE's will continue to lag in 1992, although prospects for agricultural production are relatively favorable.

"Some stability is returning to the region, 2 years after the political and economic upheavals," Lamb says. "Market forces are beginning to work, replacing a system that emphasized planned production targets with no adequate price mechanism."

Farmers, who now make the production decisions, are adjusting to the falling demand for grains and meats. This year slight declines are likely in output of grains and meats, Lamb says.

But surpluses are likely, he adds, because as prices rise and demand declines, supplies will still exceed reduced demand.

Imports present another problem for farmers in the CEE's. Under the old economic system, imports were more restricted. Imports now include specialty farm products and a number of products from the European Community (EC) that are of higher quality and better packaged than domestic goods.

Farm prices in the CEE's were significantly depressed in 1991, because of high production and falling demand, Lamb says. Grain production is likely to decline by 5-10 percent this year, with normal weather, he says.

Livestock inventories have continued to decline, but low feed prices have cushioned the blow for producers. More decreases in livestock production are likely in 1992, Lamb says.

## **Governments Still Play a Part**

Government actions seeking to balance supply and demand are under way in some of the CEE's. In Hungary's dairy industry, for example, the export subsidy for milk has been raised and the domestic producer price reduced, the government is purchasing subsidized milk for the poor, and producers have agreed to reduce output in return for a premium on the slaughter of milk cows.

Hungary, Poland, and the CSFR have made efforts to recapture old markets in the former Soviet Union and to find new ones in the West, Lamb says.

A shift to a hard-currency basis for Soviet trade in January 1991 led to bartering agreements by several of the CEE's. Hungary is exporting wheat, wine, beef, and pork under such arrangements. The CSFR is attempting to barter meats, wheat, butter, and powdered milk to the Russian Republic in exchange for oil, chemical products, and other raw materials. Poland has an agreement with several former Soviet republics to trade potatoes, apples, and onions for natural gas.





## USDA Helping Countries Establish Agricultural Analysis Programs

USDA is assisting several Central and East European countries—Poland, Hungary, the Czech and Slovak Federal Republic (CSFR), and Bulgaria—in making the transition from planned to market economies.

A major portion of this project is being handled by USDA's Economic Research Service (ERS). The project is funded by the U.S. Agency for International Development (USAID).

"We are helping these countries support an emerging market economy by developing an ability to carry out economic analysis in agriculture," says Bob Robinson, executive director of the ERS project and head of the ERS Agriculture and Trade Analysis Division.

The project started with Poland, where ERS is assisting the Ministry of Agriculture and Food Economy in development of a commodity situation and outlook (S&O) program and an economic and policy analysis pro-

gram. Similar programs are being developed in the other countries.

An S&O program provides information about market trends and short-term forecasts of expected developments in commodity markets. It gathers and disseminates information about supply, demand, and price developments to those involved in farming, agribusiness, and policymaking.

Last spring, several economists and statisticians from Poland came to Washington, DC, for 2 weeks of training. Later, Polish economists traveled to Washington to work on S&O reports with the assistance of ERS economists. A report on grains was completed in October and reports on red meats and dairy products in November. Work was then started on reports covering sugar, agricultural inputs, poultry, oilseeds, and potatoes.

Delegations from Hungary and the CSFR have been in Washington for training sessions as well. CSFR econo-

mists and ERS personnel began working early this year on S&O reports covering the CSFR wheat and dairy sectors. ERS personnel also have gone to several of the countries to provide training and assistance.

ERS has furnished Poland, Hungary, and the CSFR a version of USDA's supply and demand database, plus training on the software necessary to use the data.

USDA is also providing assistance to several of the republics in the former Soviet Union. Secretary of Agriculture Edward Madigan led a USDA delegation to Moscow, St. Petersburg, and Kiev last fall to assess food and technical needs. Several programs have been announced, including establishing a demonstration farm, helping set up wholesale markets, and improving agricultural extension services. U.S. farmers and private firms also are involved in efforts being coordinated by USDA to improve food processing and distribution facilities.

Brian Liu



## ERS Reports Provide Timely Analysis on Many Topics

Nearly 100 situation and outlook (S&O) reports are published each year by USDA's Economic Research Service (ERS).

This means that every few days, throughout the year, another report is coming off press. The reports cover such diverse agricultural topics as exports, income and finance, resources, wheat, livestock and poultry, cotton and wool, dairy, feed, fruit and tree nuts, oil crops, rice, sugar and sweeteners, tobacco, vegetables, foreign regional developments, and world food needs.

"These reports provide timely analysis and forecasts of all major agricultural commodities and related topics such as land values, farm inputs, and world and regional developments," says Fred Surls, deputy director for the S&O program in ERS's Commodity Economics Division.

The S&O program at ERS is the model for similar programs being established, with ERS assistance, in several countries of Central and Eastern Europe as those countries develop market economies.

Many economists and statisticians contribute to the ERS reports, which are sometimes as long as 100 pages and include detailed tables, charts, and text.

"S&O programs project future market conditions in a timely manner and ensure that information is available to everyone, so that no one has an unfair market advantage," Surls says.

"Policymakers use S&O information to understand what is happening in agriculture and to evaluate alternative policies—for example, different ways to deal with commodity surpluses," he adds.

In addition, food and fiber processors and marketers, as well as the food-service industry, use the information to help plan purchases, production, and marketing strategies.

Information about production and use of commodities is gathered on a regular basis by USDA's National Agricultural Statistics Service (NASS). ERS economists analyze the data for S&O reports.

Other USDA agencies regularly contribute additional data used in ERS reports. These agencies include the Foreign Agricultural Service, the Agricultural Marketing Service, the Farmers Home Administration, and the Agricultural Stabilization and Conservation Service. Information also comes from other Federal departments, such as Commerce and Labor.

Brian Liu



*A Polish farmer with sacks of potatoes he plans to sell in Warsaw's outdoor market*

"The key question facing CEE farmers this year is how to respond to price reforms," Lamb says. If production is not cut sufficiently, prices could continue to fall, he adds.

Farmers have sought government assistance to counteract low prices, but significant intervention is unlikely because of falling revenues and strict fiscal policies imposed by international assistance agencies, Lamb says.

### Region's Imports To Drop

U.S. agricultural exports to the CEE's are expected to fall in fiscal 1992 to about \$250 million, according to ERS analyst Stephen MacDonald. That total would be less than half what it was 2 years earlier, but the former East Germany is no longer included



In recent years the S&O lineup of reports has changed, with some being added and some eliminated or combined. For instance, the livestock and meat report was combined with the poultry and eggs report to make up the current livestock and poultry report.

Most S&O reports are published four times a year, usually at key times during the crop year or following the release of significant new data. Other reports vary in frequency. In addition, brief "update" reports on livestock and poultry and agricultural trade are available monthly. The subscription price for most of the reports is \$12 a year, and the updates cost \$15 a year.

"Supply and use" tables are basic components of commodity S&O reports. Such tables describe the marketing year's outcome for a commodity, summarize market behavior

of buyers and sellers, organize economic information about a crop, and provide a framework for economic analysis.

A marketing year is used instead of a calendar year, because it spans the crop harvest and the marketing of that crop through the subsequent year. Supply and use data are thus consistent.

A supply and use table has three main components: supply, use, and price. For example, in a supply and use table for corn, supply includes beginning stocks, production, and imports. Use consists of feed and residual; food, seed, and industrial; and exports. Supply minus use equals ending stocks, which are the beginning stocks for the next year. Price acts to balance supply and demand.

All the ERS S&O reports are available electronically (transmitted from one computer to another through a telephone modem), but tables are not included in the electronic versions.

USDA, as part of its S&O program, sponsors a 3-day outlook conference in Washington, DC, each year around the first of December. The conference features presentations by government and nongovernment economists and other experts on the outlook for major crops and livestock, trade, and the general economy in the coming year.

For information on subscribing to reports in the S&O series, call 1-800-999-6779, toll-free, weekdays (8:30-5:00 Eastern time). Or write to ERS-NASS, P.O. Box 1608, Rockville, MD 20849-1608.

since its reunification with the former West Germany.

The expected drop this year is due to good harvests last year and declining demand in most of the CEE's, plus a lack of hard currency needed to buy U.S. products. U.S. credit guarantees and food aid programs could help alleviate the effect of the hard currency shortage to some extent, MacDonald says.

Surpluses of grains, meats, and dairy products in several of the CEE's mean that imports of these products will be minimal this year, MacDonald says.

Thus the outlook for U.S. agricultural exports to the CEE's is not good in the short run, ERS analysts say, but should improve in future years as the economies in these countries improve. ■

Brian Liu



**Workers clean and sort vegetables in a canning and bottling plant in Rzeszow, Poland**

Based on information provided by Jason Lamb and Mark Lundell, Agriculture and Trade Analysis Division, and Stephen Mac-

Donald, Commodity Economics Division, Economic Research Service.



# Dialing Up Economic Information



Need economic information or data on today's or even yesterday's agriculture? Listed are economists, statisticians, and other specialists of the Economic Research Service and the National Agricultural Statistics Service. Generally, those listed with an "S" (for "Statistics") can give you data on acreage, yields, production, livestock numbers, and stocks. Those identified with an "E" (for "Economics") can help with supply-demand-price questions and other economic issues. All telephone numbers can be reached by dialing area code 202.

## CROP AND LIVESTOCK SPECIALISTS

### Aquaculture

Joel Moore	S	720-3244
Robert Little	S	720-6147
Dave Harvey	E	219-0890

### Coffee & Tea

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### Cold Storage

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(World)	E	219-0826
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Lloyd Teigan E 219-0705



# Growing Foreign Demand May Boost U.S. Burley Exports

**B**urley tobacco farming may be only a part-time activity for most producers, but burley is still the second most important kind of tobacco grown in the United States, contributing 37 percent of total American tobacco production in 1990.

Flue-cured tobacco, at 58 percent of total production, is the most widely grown kind. Both kinds are used in blended cigarettes, but each is cured differently. Burley is cured in natural air, while flue-cured is cured with artificial heat.

And burley may be increasing in importance, says economist Tom Capehart of USDA's Economic Research Service (ERS).

"Burley tobacco is an important component in cigarettes, especially the American blend that is increasingly popular worldwide," he notes.

That gives Capehart reason to feel fairly optimistic about burley exports in the 1990's. Currently, he says, the United States is the second largest exporter of

*Even on small acreages, burley can be a money-maker.*

burley leaf, accounting for 21 percent of the market in 1990. (The African nation of Malawi exported 22 percent of world exports and Italy, the third largest exporter, held about 12 percent of the market.)

"Increased exports by other producers, combined with underproduction and the high price of U.S. burley, have eroded the U.S. share of the world market," says Capehart.

From 1955 to 1959, the United States accounted for 60 percent of world burley exports, shipping an annual average of 28 million pounds of burley leaf. But in 1990, its 21-percent share of world burley exports represented 111 million pounds (export

weight). From 1955 to 1990, the volume of world burley trade soared from 47 million pounds to 520 million pounds.

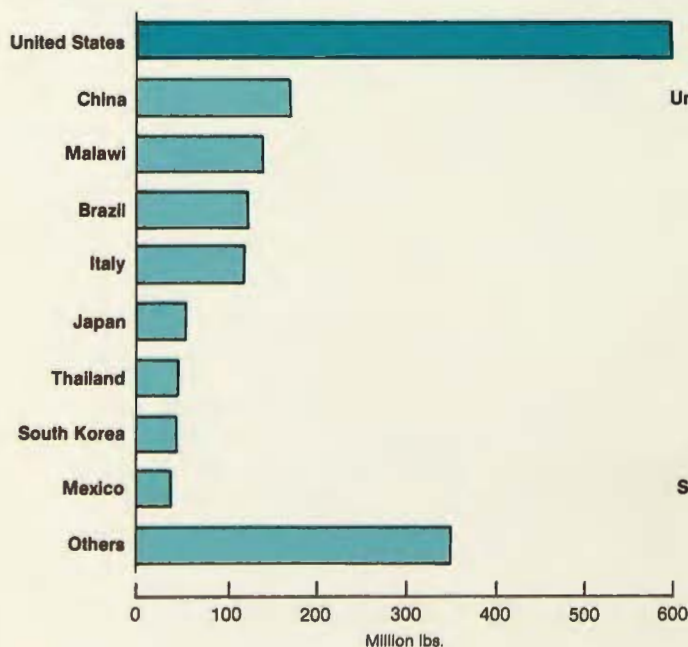
## The Largest Producer

Although the United States produced 35 percent of the world's burley crop in 1990, most U.S. leaf is used domestically. U.S. exports in 1990 represented only 33 percent of domestic production. Still, U.S. burley production was more than triple the amount grown by the next largest producer, China, and China's production was followed by Malawi, Brazil, Italy, Japan, Thailand, South Korea, Mexico, and Argentina. Total world production in 1990 was 1.7 billion pounds.

During the 1980's, U.S. burley leaf production fluctuated widely, from a high of 822 million pounds in 1982 to a low of 408 million pounds in 1986 to 483 million pounds in 1989. Production for the decade averaged 567 million pounds.

"Burley is grown in eight States, although most is produced in Kentucky and Tennessee," says Capehart. "In 1990, those two States accounted for 86 percent of U.S. production. The rest was produced in Virginia, Ohio, North Carolina, Indiana, Missouri, and West Virginia."

**The United States Led the World in Burley Production in 1989 . . .**



**. . . But Malawi Exported the Most Burley That Year**



Using data gleaned from the Farm Costs and Returns Survey—conducted by ERS and the National Agricultural Statistics Service, another USDA agency—Capehart was able to examine the structure and characteristics of U.S. burley tobacco farms.

His findings not only reflect the kinds of changes occurring throughout American agriculture, such as the growing importance of off-farm income, but also provide a glimpse into the future of burley farming.

One thing that hasn't changed very much over the last decade, though, is the fact that burley farming is labor-intensive.

Labor is still the major constraint to increased production, despite the decrease in labor requirements with the adoption of bales rather than the traditional hands



(leaves tied in bundles at the stem end for marketing).

### Labor Shortages

Capehart adds that competition for labor is especially critical for larger operators and those near metropolitan areas. "Labor shortages, especially during harvesting, have caused operators to explore switching from informal labor sources to migrant and contract labor arrangements."

Higher yields and greater production efficiency have reduced labor used per 100 pounds, but labor used per acre has slightly increased. About two-thirds of the burley labor was unpaid, and consisted mainly of family or exchange labor. Since 1984, the use of custom or contract labor has increased.

"On average, burley tobacco farms harvested 3.2 acres of burley leaf in 1989," says Capehart. "Farms in Kentucky averaged 4.6 acres of burley, while those in Tennessee—where there are more part-time farmers—averaged 1.9 acres."

One-fourth of burley farms grew no more than 0.6 acre of burley, while another fourth grew more than 3.5 acres.

Most burley farms, however, fell into the smallest burley acreage category of fewer than 2.1 acres in 1989. The middle category, 2.1 to 6 acres, accounted for 16 percent of all burley farms, while the largest category (more than 6 acres) made up 15 percent.

"Differences in size distribution between Kentucky and Tennessee were significant," says Capehart. "Fifty-one percent of Kentucky farms were in the smallest category, compared with 86 percent for Tennessee. In Kentucky 28 percent and in Tennessee 3 percent were in the largest category."

The quantities of burley leaf produced showed similar variations.

"The overall average for 1989 was 6,537 pounds per farm," says Capehart. "Farms in Kentucky produced over twice as much burley as those in Tennessee because of larger acreages and higher yields."

Farms with fewer than 2.1 acres averaged 2,035 pounds of production in 1989. Those with 2.1 to 6 acres averaged 8,892 pounds, while farms with more than 6 acres averaged 25,271 pounds.

Overall yields for 1989 averaged 2,062 pounds per acre. The Kentucky average was 2,211 pounds per acre, and the Tennessee average was 1,711 pounds per acre. Larger farms had higher yields because of better management and more efficient use of resources.

### Larger Farms

In 1984, burley area averaged 2.3 acres per farm. Since that time, average farm acreage has increased by 92 percent (from 2.4 to 4.6 acres) in Kentucky and by 36 percent (from 1.4 to 1.9 acres) in Tennessee. "The increases are due to rising national burley quotas and consolidation of quotas into larger holdings," Capehart says.

Even when concentrated on small acreages, burley tobacco can be a money-maker.

"Burley is the major income source on farms where it is grown," says Capehart. "It accounts for only 32 percent of cropland, but contributes 74 percent to farm sales."

In 1989, net burley receipts (gross receipts less assessments and warehouse charges) for all farms averaged \$10,082. But the differences between the top two producing States were substantial, with Kentucky farms averaging \$15,588 and Tennessee farms averaging only \$4,832.

Moreover, Kentucky's growers benefited most from a 32-percent gain in net burley receipts from 1984 to 1989. Net burley re-

ceipts averaged \$7,649 in 1984, compared with \$10,082 by 1989.

"Growers in Kentucky realized an average increase of 90 percent, compared with just 8 percent for those in Tennessee," says Capehart.

But most burley farmers aren't entirely dependent on burley leaf for their livelihood—even when they don't work off the farm for part of their income.





### In 1990, Kentucky Led the U.S. in Burley Planting and Production

State	Area (Acres)	Production (million lbs.)
Kentucky	185,000	419.95
Tennessee	46,000	94.76
Virginia	11,000	22.61
Ohio	9,700	18.92
North Carolina	8,200	17.99
Indiana	6,400	13.44
Missouri	2,600	5.93
West Virginia	1,700	2.72
<b>Total</b>	<b>270,000</b>	<b>596.32</b>

"Burley is generally produced on small farms in combination with one or two other crop or livestock enterprises," says Capehart. "However, the range of acreages and mix of enterprises found on burley farms is broad."

Raising cattle was the most frequent companion enterprise to burley in 1989. Corn was the crop most frequently grown on burley farms, followed by soybeans and small grains.

"Farms in Kentucky and farms in the largest burley size category were much more likely to grow corn than others," says Capehart. "More than 75 percent of the burley farms raised cattle, particularly in Tennessee."

Cattle were more common on farms with 6 or fewer acres of burley than on those with more than 6 acres. On larger operations, corn and small grains were more prevalent. Cattle were generally pastured and raised for sale to finishing lots. Hogs were raised by 15 percent of the growers in each State. In Tennessee, 8 percent raised poultry, but in Kentucky very few did.

"Although more burley farmers grew corn, those growing soybeans planted more acres than those growing corn," says Capehart. "Soybean growers planted an average of 90 acres, corn growers an average of only 60 acres."

Even with an enterprise mix, 65 percent of burley growers derived more than half their gross farm income from tobacco. But farming is not the major source of income for most burley growers.

### Off-Farm Income

"Only 14 percent of burley growers' net total family income came from on-farm sources in 1989," says Capehart. "Wages and salaries, the most common sources of off-farm income, are earned by 68 percent of all grower families."

In Tennessee, 61 percent had over \$15,000 in annual wage or salary income. In Kentucky, 43 percent were at that level or higher. Obviously, he says, growers in Tennessee depend more on nonfarm income than those in Kentucky. And in many cases, one spouse probably works on the farm full-time, while the other works off the farm.

Generating outside income may be a fact of life for American farmers, but burley and other tobacco producers operate under a quota system that strictly limits production. In addition, USDA's tobacco program imposes restrictions on quota leasing and rental arrangements.

"Until 1991, laws governing burley production restricted quota leasing and rental to the county to which it is assigned, making consolidation of large acreages difficult," says Capehart. "Beginning with the 1991 crop, though, quotas in Tennessee may be leased or rented across county lines, and quotas in all States may be sold within the county."

The upper limit for leasing in all areas has been raised from 15,000 to 30,000 pounds. Otherwise, restrictions on leasing and rental in Kentucky remain unchanged.

"Movement of production to more efficient areas or away from urbanizing areas is now





## Burley's Brief History

Tobacco may have been one of the first crops grown in the American colonies, but the burley tobacco we know today is a relative newcomer.

Although America's commercial involvement with tobacco started more than 375 years ago—when the Englishman John Rolfe planted the first crop at Jamestown, Virginia—today's burley tobacco only emerged in the 1860's. And that was purely by an "accident of nature"—a genetic mutation.

On a spring day in 1864, two tenant farmers, George Webb and Joseph Fore, were seeding tobacco beds on a farm in Brown County, Ohio. Running short of seeds, Webb crossed the Ohio River to get some burley seeds from George Barkley in Bracken County, Kentucky.

The seedlings grew hardy and fine-textured, but the leaves had a dirty-yellow color. That prompted the two tenant farmers to destroy the plants as unhealthy or dwarfed. However, the next year Webb tried some of Barkley's seeds on his own farm. Even though the seedlings looked like

the previous year's, Webb transplanted about 1,000. At maturity, the plants were said to be "healthy and thrifty," with cream-colored stalks.

The cured leaf was bright yellow and smoked "bitter"—dry and lacking the heavy load of natural sweeteners found in other burley strains. "White" burley, as it came to be known, quickly replaced the gummy red burley previously grown. It was harvested more quickly—by stalk-cutting—and, because it did not require flue- or smoke-curing, cured more quickly.

The new burley was also found to have highly absorptive properties. That put it in great demand as plug filler, because it could soak up tremendous quantities of sweeteners and sauces.

As sweeter "chews" achieved popularity among tobacco users, manufacturers of smoking and plug tobacco became burley's biggest buyers. The burley plug produced in Louisville, Kentucky, and St. Louis, Missouri, contained one-fourth licorice and sugar. In comparison, the "bright" (flue-

cured) plug sold in the Eastern United States had only 4 percent sweetener.

The introduction of the blended cigarette in 1913 spurred burley production once again. The new smoke was about 30 percent burley and was as heavily sweetened as plug had been.

And with the blended cigarette came the rapid growth in worldwide tobacco consumption and the Camel and Lucky Strike brand names that have become part of American popular culture.

Lucky Strike cigarettes (produced by the Philip Morris Company) boasted of their burley component. The brand's success was temporarily halted by World War I, but it reached the first rank of competition during the 1920's and vied with Camel for the number-one brand position between 1930 and 1950.

The Camel brand was launched in 1913 by the R.J. Reynolds Company. It was heavily flavored with burley, and led all other cigarette brands in 31 of the next 46 years.

easier in Tennessee, where underproduction is more common," says Capehart.

The burley quota per farm averaged 7,645 pounds for both States—10,926 pounds in Kentucky and 4,515 pounds in Tennessee. Growers may market 103 percent of their quota without penalty. Of course, growers may market less than their full quota.

"The adjustment for overmarketings and undermarketings is subtracted or added to the following year's farm quota, which is the effective quota for that year," says Capehart. "Much of the burley quota goes unpro-

duced. On average, burley growers produced 14 percent less than their quota in 1989."

Farms with fewer than 2.1 acres of burley produced 26 percent less than their quota. Farms in the two larger burley acreage categories produced about 11 percent less than the quota allowed. In Tennessee, 36 percent of the effective quota was not grown.

It's that idle quota output that Capehart feels could fuel greater burley sales abroad.

"If overseas demand continues to grow for U.S. cigarettes and raw burley leaf," says Capehart, "greater use of the quota could be translated into higher exports." ■

For more information on this subject, just call 1-800-999-6779 and order *Characteristics of Burley Tobacco Farms*, AIB-633. The price is \$4.00 per copy to U.S. addresses, \$5.00 to non-U.S. addresses (including Canada).

Based largely on information provided by economist Tom Capehart, Commodity Economics Division, Economic Research Service.



# Livestock's Cash Receipts Outshine Crops

**A**mber waves of grain" may symbolize America the Beautiful, but that's not the whole story of our Nation's farm economy.

Grain crops take a back seat to livestock and livestock products in the rankings of farm commodities by value of production. In fact, cattle and calves are the leading agricultural commodity in the United States.

In 1990, the latest year for which data are available, cattle and calves were the num-



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***In 33 States, the number one commodity was in the livestock category.***

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ber one farm product in 18 States, based on total cash farm receipts. Dairy products ranked first in nine States.

Of the nearly \$170 billion in agricultural cash receipts for the year, livestock and products accounted for 52.7 percent, or \$89.6 billion, while crops brought in \$80.4 billion, according to economist Roger Strickland of USDA's Economic Research Service.

Cattle and calves generated 23.3 percent of U.S. farm cash receipts, dairy products 11.8 percent, corn 8.0 percent, hogs 6.7 percent, and soybeans 6.4 percent, Strickland says. Twenty-two commodities had at least \$1 billion worth of production in 1990.

Broilers were the leading commodity in five States, greenhouse and nursery products in five, corn in three, tobacco in three, cot-

ton in two, and wheat, hogs, oranges, sugar cane, and potatoes in one each.

In 33 States, the number one commodity was in the livestock category, while crop commodities led the lists in just 17 States. Thirteen States got at least 50 percent of their farm cash receipts from one commodity—and in seven of those States, that leading commodity was cattle and calves.

Vermont got 76 percent of its farm cash receipts from dairying, and Wyoming got 72 percent of its total from cattle and calves.

The lowest percentage for a number one crop was California's 14 percent—from dairying. (California is the leading agricultural State in value of production and has a diverse farm economy.)

The \$5.8 billion total for cattle and calves in Texas was the largest State amount for a single commodity. The next two largest totals were also for cattle and calves—\$4.8 billion in Nebraska and \$4.3 billion in Kansas.

California had five commodities worth at least \$1 billion (dairy products, greenhouse and nursery, cattle and calves, grapes, and cotton), Iowa four (hogs, corn, cattle and calves, and soybeans), Illinois three (corn,



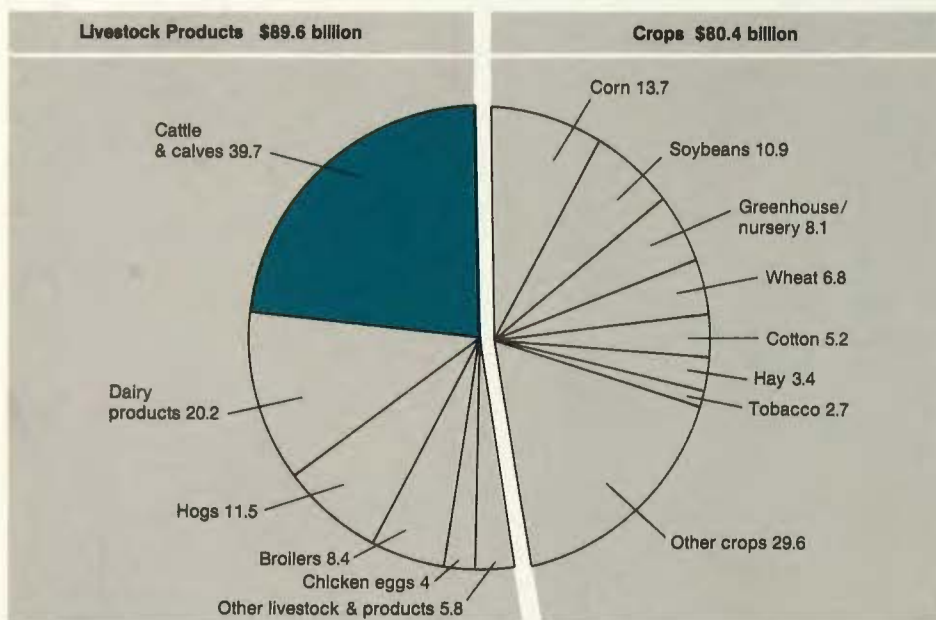


# Leading Commodities for Cash Receipts in 1990

State	Total	1st	2nd	3rd
\$ million				
Alabama	2,737	Broilers 1,165	Cattle/calves 510	Greenhouse 180
Alaska	27	Greenhouse 15	Dairy 3	Potatoes 2
Arizona	1,865	Cattle/calves 505	Cotton 429	Dairy 230
Arkansas	4,259	Broilers 1,378	Cattle/calves 538	Soybeans 487
California	18,859	Dairy 2,556	Greenhouse 1,909	Cattle/calves 1,740
Colorado	4,213	Cattle/calves 2,610	Corn 273	Wheat 203
Connecticut	446	Greenhouse 134	Chicken eggs 90	Dairy 76
Delaware	644	Broilers 405	Soybeans 42	Corn 36
Florida	5,708	Oranges 1,103	Greenhouse 989	Cane sugar 422
Georgia	3,842	Broilers 1,166	Peanuts 459	Chicken eggs 289
Hawaii	588	Cane sugar 214	Pineapples 99	Greenhouse 70
Idaho	2,935	Cattle/calves 705	Potatoes 690	Dairy 354
Illinois	7,938	Corn 2,768	Soybeans 2,059	Hogs 1,206
Indiana	4,931	Corn 1,434	Soybeans 980	Hogs 893
Iowa	10,319	Hogs 2,989	Corn 2,442	Cattle/calves 2,074
Kansas	6,995	Cattle/calves 4,347	Wheat 1,004	Corn 341
Kentucky	3,098	Tobacco 739	Cattle/calves 682	Horses/mules 490
Louisiana	1,921	Cotton 395	Soybeans 246	Cattle/calves 211
Maine	460	Potatoes 145	Dairy 92	Chicken eggs 90
Maryland	1,345	Broilers 399	Dairy 201	Greenhouse 184
Massachusetts	418	Greenhouse 152	Dairy 70	Cranberries 62
Michigan	3,183	Dairy 729	Corn 369	Cattle/calves 266
Minnesota	7,011	Dairy 1,305	Corn 1,147	Soybeans 1,002
Mississippi	2,433	Cotton 620	Broilers 533	Cattle/calves 298
Missouri	3,939	Cattle/calves 909	Soybeans 699	Hogs 560
Montana	1,606	Cattle/calves 725	Wheat 436	Barley 125
Nebraska	8,845	Cattle/calves 4,842	Corn 1,604	Hogs 898
Nevada	333	Cattle/calves 167	Hay 64	Dairy 43
New Hampshire	134	Dairy 45	Greenhouse 33	Apples 12
New Jersey	647	Greenhouse 227	Dairy 53	Chicken eggs 31
New Mexico	1,529	Cattle/calves 785	Dairy 212	Hay 115
New York	3,006	Dairy 1,594	Greenhouse 343	Cattle/calves 196
North Carolina	4,867	Tobacco 1,052	Broilers 804	Hogs 615
North Dakota	2,537	Wheat 820	Cattle/calves 598	Barley 202
Ohio	4,172	Corn 767	Soybeans 761	Dairy 620
Oklahoma	3,554	Cattle/calves 1,791	Wheat 492	Greenhouse 273
Oregon	2,312	Cattle/calves 351	Greenhouse 307	Dairy 215
Pennsylvania	3,767	Dairy 1,496	Cattle/calves 470	Greenhouse 287
Rhode Island	71	Greenhouse 39	Dairy 5	Chicken eggs 4
South Carolina	1,176	Tobacco 174	Cattle/calves 145	Broilers 108
South Dakota	3,349	Cattle/calves 1,580	Hogs 409	Wheat 285
Tennessee	2,039	Cattle/calves 497	Dairy 303	Soybeans 192
Texas	11,981	Cattle/calves 5,816	Cotton 1,453	Dairy 809
Utah	755	Cattle/calves 285	Dairy 165	Hay 68
Vermont	447	Dairy 337	Cattle/calves 49	Hay 13
Virginia	2,120	Cattle/calves 408	Dairy 297	Broilers 295
Washington	3,816	Dairy 600	Cattle/calves 597	Apples 540
West Virginia	338	Cattle/calves 122	Broilers 52	Dairy 39
Wisconsin	5,706	Dairy 2,239	Cattle/calves 883	Corn 315
Wyoming	767	Cattle/calves 555	Sugar beets 59	Hay 42



## Cattle and Calves Topped the List of U.S. Farm Commodities By Cash Receipts in 1990



soybeans, and hogs), Minnesota three (dairy products, corn, and soybeans), Kansas two (cattle and calves and wheat), Nebraska two (cattle and calves and corn), and Texas two (cattle and calves and cotton). Thirty-one States had no \$1-billion commodities.

The States with a single billion-dollar commodity were Alabama, Arkansas, and Georgia, broilers; Colorado, Oklahoma, and South Dakota, cattle and calves; Florida, oranges; Indiana, corn; New York, Pennsylvania, and Wisconsin, dairy products; and North Carolina, tobacco.

California led the way in State total cash receipts in 1990 with \$18.9 billion for all

farm commodities. Texas followed with about \$12 billion and Iowa with more than \$10 billion. Nebraska, Illinois, Minnesota, Kansas, Florida, and Wisconsin were the only other States with totals of at least \$5 billion. Thirty-six States had totals of at least \$1 billion.

The two lowest State totals were \$27 million in Alaska and \$71 million in Rhode Island. Greenhouse and nursery products were the leading commodities in those States.

The top 5 States accounted for more than one-third of the Nation's agricultural cash receipts, and the top 10 States accounted for more than half.

"A ranking by cash receipts of leading commodities in a State provides quite a bit of information about the production mix in the State," Strickland says. He adds that such rankings also tell a lot about the production factors in the State. These factors include soil fertility, climate, topography, proximity to markets, labor, and availability of transportation services.

Commodity rankings by State reflect complementary relationships between crops and livestock or among crops, Strickland says. For instance, hog receipts and corn receipts usually rank close together for a State, showing farmers' reliance on corn to feed hogs. And hay usually ranks as a top commodity in cash receipts for States that favor cattle production.

Strickland says that 1990 was a year in which U.S. farmers saw prices for most commodities at a relatively high level, through at least the first half of the year. He adds that there was no major drought in 1990 for the second year in a row.

Farm cash receipts in 1990 increased by about \$9 billion from 1989, Strickland notes, with \$5.5 billion of that increase coming in livestock products. ■

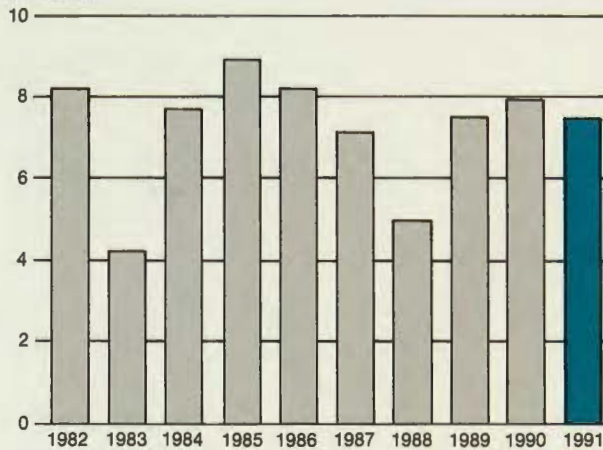
For more information on this topic, see *Ranking of States and Commodities by Cash Receipts, 1990*, SB-832, by Roger Strickland, Cheryl Johnson, and Bob Williams, Agriculture and Rural Economy Division, Economic Research Service, 1991. For a copy, call 1-800-999-6779, or write to ERS-NASS, P.O. Box 1608, Rockville, MD 20849-1608. The price is \$11 per copy in the United States and \$13.75 to foreign destinations.

Based on information provided by Roger Strickland, Commodity Economics Division, Economic Research Service.



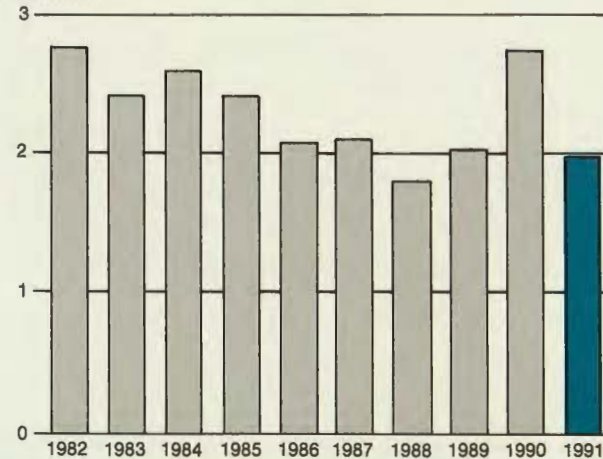
## Corn for grain production slipped 6 percent in 1991 from the year before . . .

Billion bushels



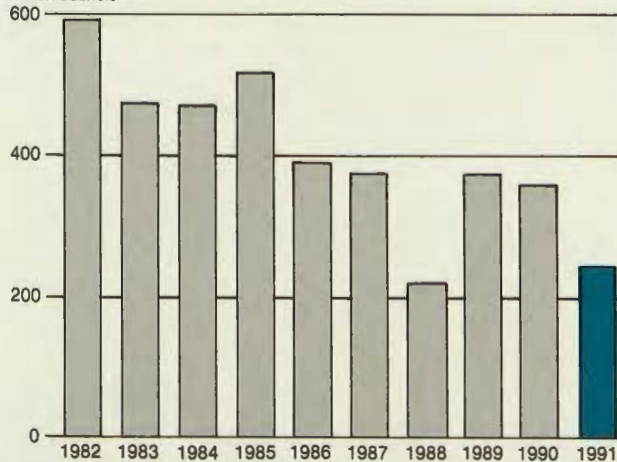
## Wheat production dropped 28 percent . . .

Billion bushels



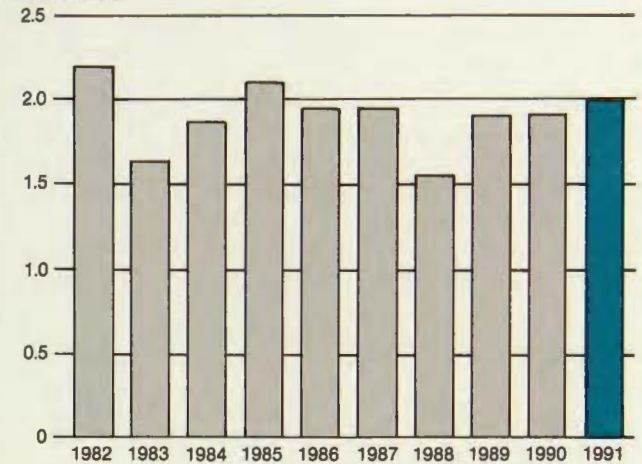
## Oats production dropped 32 percent . . .

Million bushels



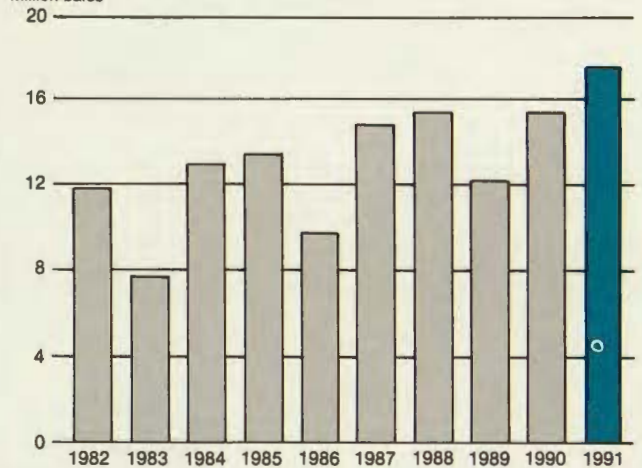
## But Soybean production rose 3 percent . . .

Billion bushels



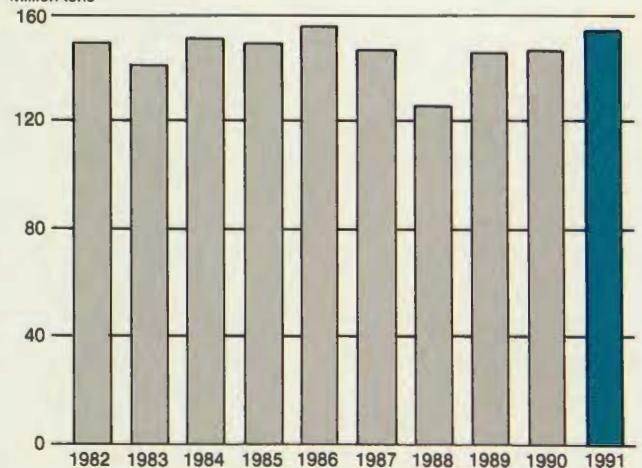
## Cotton production jumped 13 percent, and . . .

Million bales



## Hay production was up 5 percent

Million tons





# FARMLINE TRENDS

## Monthly Price Monitor

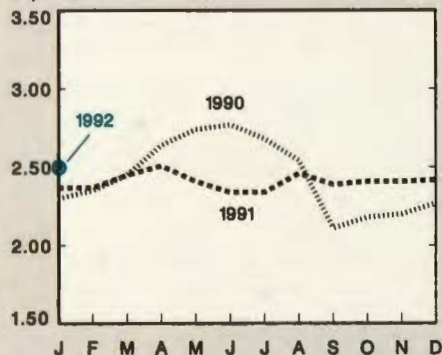
USDA's January 1992 inflation-adjusted index of farm prices, from the National Agricultural Statistics Service's Agricultural Prices report, was unchanged from December but 4.9% below a year earlier. Wholesale market prices follow. Corn started the year fairly strong at \$2.49 per

bushel, the highest since last April. Wheat too started the year off with a higher price of \$4.33 per bushel, the highest since December 1989. Soybeans rose to \$5.62 per bushel. Cotton, at 51.5¢ per pound, continued sliding to its lowest level since September 1988. Lettuce fell to \$3.62 per carton.

Oranges, at \$8.28 per carton, were still comparatively high, although well below 1991 levels. Direct choice steers rose to \$72.36 per cwt, the highest level in several months. Barrows and gilts at \$37.96 per cwt dropped to their lowest price since November 1988. Broilers rose to 52.7¢ per lb.

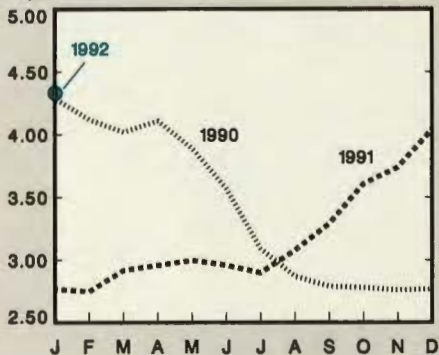
**Corn<sup>1</sup>**

\$ per bushel



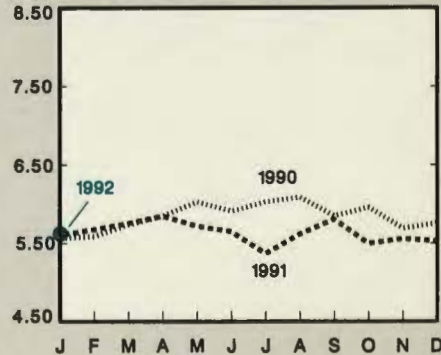
**Wheat<sup>2</sup>**

\$ per bushel



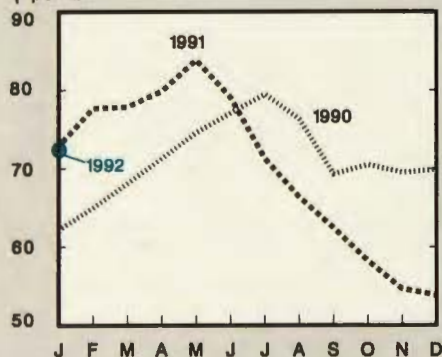
**Soybeans<sup>3</sup>**

\$ per bushel



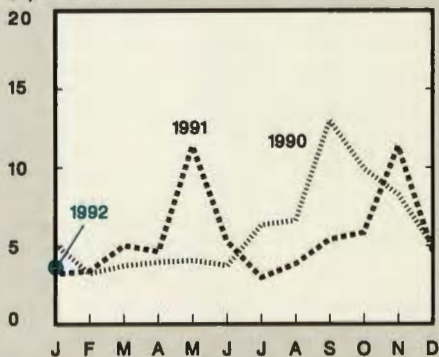
**Cotton<sup>4</sup>**

¢ per lb.



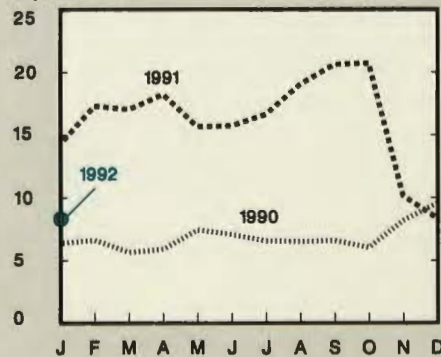
**Iceberg Lettuce<sup>5</sup>**

\$ per carton



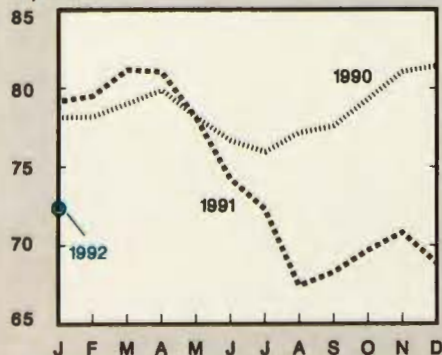
**Oranges<sup>6</sup>**

\$ per carton



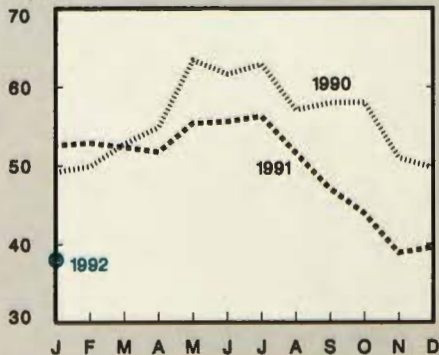
**Direct Choice Steers<sup>7</sup>**

\$ per cwt



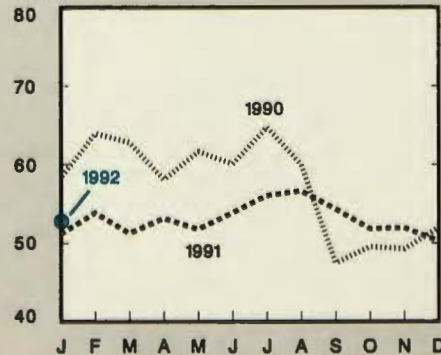
**Barrows and Gilts<sup>8</sup>**

\$ per cwt



**Broilers<sup>9</sup>**

¢ per lb.



<sup>1</sup>No. 2 yellow, Central Illinois. <sup>2</sup>No. 1 HRW, Kansas City. <sup>3</sup>No. 1 yellow, Central Illinois. <sup>4</sup>SLM 1-1/16", spot market price. <sup>5</sup>Standard carton 24's, California-Arizona. <sup>6</sup>Central California, Standard carton. <sup>7</sup>Nebraska. <sup>8</sup>Omaha. <sup>9</sup>Wholesale, New York. All prices shown are monthly averages.





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