

State's Tobacco Crops May Have Mixed Futures

MURRAY, KY.

Kentuckians once looked to burley as the tobacco crop to bank on, but today that has shifted to dark tobacco. Dark air- and fire-cured tobacco crops are traditional crops of western areas of the state.

High fertilizer costs, high and somewhat uncertain labor, opportunities outside tobacco and less than stellar production contracts may make it hard for burley production in 2008 to reach the level of 2007, said Will Snell, an agricultural economist with the University of Kentucky College of Agriculture.

"Even though it appears we have opportunities to expand burley use, it's pretty tough to get a lot of excitement out there right now," he said.

Since the tobacco buyout, exports and domestic use of burley combined for about 300 million pounds while production has been about 200 million pounds. Companies have been relying on their inventories to make up the difference. Snell said there's going to come a time when inventories are going to be tight and companies say they need more tobacco, but prices so far are not encouraging more production.

Snell said he does not expect to see any increase in burley acres in 2008 and some growers may opt out. His views were reflected in a show of hands during the Western Kentucky Tobacco Expo at Murray. Many of the farmers say they will reduce or quit growing burley and concentrate on their dark tobacco production.

Burley acres have been increasing in western Kentucky since the federal tobacco buyout while acreage has been declining in east and central areas of the state. Burley production

dropped substantially following the federal buyout but had leveled off in the past couple years.

With strong dark tobacco, corn, soybeans and wheat prices western Kentucky farmers may keep with these crops and not add more burley, he said.

"If they don't get the acres here, I don't think they are going to get the acres in central Kentucky," he said.

Dark tobacco is enjoying 20 years of ever increasing demand and prices that reflect demand. Prices for burley are likely to be around \$1.70 per pound in 2008 with incentives and assuming a good crop, while dark air-cured tobacco prices are closer to \$2.25 per pound and dark fire-cured at \$2.50 per pound.

Most dark tobacco is produced primarily in Kentucky and Tennessee, and production versus use is more stable than with burley. Snell said he expects dark tobacco acreage to increase 10 to 15 percent this year.

"It's a good situation," he noted. "There's growth in this industry. The companies have been loyal to you and there is money in growing this crop."

There's still a chance tobacco companies may increase prices and incentives for burley growers in the 2008 contracts as they've done once before. That could encourage growers to continue but it's no guarantee, Snell said.

Economics, he said, are going to play a major role in the future of tobacco production. Farmers have to be efficient with labor and more proficient with yield, especially in burley.

"It will be a struggle to maintain profits given the current price schedules and increasing costs of production," Snell said. △