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1966 TOBACCO REFERENDUM

Legislative and Administrative Situation

The Secretary of Agriculture has announced a 15 percent acreage cut for the 1966 burley crop with no limit on yield. This will remain in effect unless a special referendum on acreage-poundage, with a national quota of 625 million pounds, passes by a two-thirds majority of those voting on March 10. In order to reach the 625 million pounds under the acreage-poundage program, it would allow for a 6.3 percent increase in present acreage with a national average limit of 2,050 pounds of burley per acre.

Public Law 89-12, approved April 16, 1965, authorizes the Secretary of Agriculture to announce an acreage-poundage marketing quota program during the first or second marketing year of the three-year period for which marketing quotas on an acreage basis are in effect for any kind of tobacco, whenever he determines that acreage-poundage quotas would result in a more effective marketing quota program. This law provides further that the Secretary shall, no later than January 1, 1966, consult with representatives of all segments of the tobacco industry, including growers, state farm organizations, and cooperative associations, in meetings held for each kind of tobacco, to receive their recommendations and to determine the need for acreage-poundage or modified program for that kind of tobacco. Acreage-poundage quotas cannot be made effective for any kind of tobacco unless more than two-thirds of the growers voting in a special referendum favor acreage-poundage marketing quotas in lieu of quotas on an acreage basis.

Hearings were held by the Tobacco Policy Staff of the USDA during December and January. In the latter part of January, the Secretary of Agriculture announced that a referendum on acreage-poundage would be held on burley tobacco on March 10.

Supply Situation

In 1954 the crop was large and allotments were cut 25 percent. From 1955 to 1960 the production and use of tobacco stayed fairly even. During the last four years, supplies have built up and the carryover has been increased by 288 million pounds. The normal carryover is 2.8 years' supply but we now have a 3.2 years' supply. The excess has been mostly due to increases in yields. From 1955 to 1960 the national average yield was a little over 1,600 pounds per acre. During the years 1962, 1963 and 1964, the average yield was 2,150 pounds per acre.

The 1966 Program

Under the present law, the Secretary of Agriculture must declare an acreage-quota based upon a fixed formula. Under the formula he has very little flexibility because he is directed by law to maintain the total supply level equal to 2.8 years of total disappearance. Under the formula the Secretary has announced an acreage cut of 15 percent. Under the acreage-poundage quotas there will be an increase in acreage of 6.3 percent and a restriction of yields to 2,050 pounds per acre, national average. This is about what the national yield average was in 1965 but 100 pounds under the previous three-year average yield. This would amount to a 625 million

pound crop for 1966. If the 625 million pounds were divided by 2050 pounds it would indicate that 304,870 acres would be needed. This is about 106.3 percent of the 286,000-acre base in 1965.

This description and the following examples apply to acreage-poundage yield determinations as defined in the legislation. The legislative authorization for establishing farm yields is the same for all types of tobacco. For burley the years 1959-63 have been selected as the base years.

The establishment of farm yields proceeds through four legislatively specified steps. These are:

1. Determination of a national yield goal
2. Determination of community average yields
3. Determination of preliminary farm yields
4. Determination of final farm yields

National Yield Goal. The national yield goal is determined by the Secretary of Agriculture and is an average of yields that apply to all producers. Such a yield level is aimed at insuring the production of usable tobacco; the national average yield for burley is 2,050 pounds per acre.

Community Yield. A community is defined as the present ASCS townships that have been established for administrative purposes. For counties having less than 500 acres of tobacco, the county may be considered as a community or township for purposes of computing community or township yields.

The community or township average yield is the average yield per acre for the three highest yielding years in the five-year base period (1959-63).

Individual Farm Preliminary Yield. Individual farm preliminary yields are computed in much the same manner as community or township yields except that the

yield history of the individual farm is used. The individual farm preliminary yield is the average yield per acre for three highest years of the five-year-base period, adjusted as follows:

a. If the yield is less than 80 percent of the community or township yield it will be raised to 80 percent.

b. If the yield is between 80-120 percent of the community or township yield it will remain at the three-year farm average.

c. If the yield is 120 percent or more than the community or township yield it will be averaged with National Average Yield of 2,050 pounds. In no case will it be less than the 120 percent of the community or township yield.

Final Farm Yield. The final farm yield will be determined by computing a weighted average of all the individual farm preliminary yields and comparing this average to the national yield goal. All yields will be factored by .9771 to obtain final farm yields that average the same as the national yield goal.

Flexibility. Each farm can market 20 percent over its poundage quota the first year--10 percent in subsequent years--without penalty and with price support. Any marketings in excess of the poundage quota is deducted from the farm's quota the following year. If the marketings from a farm are less than the farm's poundage quota, the difference is added to the farm's quota for the next year.

The Application of Quota. In Table 1 is shown how the acreage-poundage program would apply to three separate farms each with a 1-acre base but with varying levels of yields. It illustrates that the acreage-poundage program would not materially change the pounds that could be marketed in 1966 for the farms with yields between 80 and 120 percent of the historical average of the community or township as compared to the acreage program. For farms with historical yields

Table 1. Determining quotas on three farms under the acreage-poundage program^{a/} (assuming a base of 1 acre).

Year	Yield per Acre		
	Jones	Smith	Brown
1959	1,710	2,230	2,420
1960	1,615	1,410	2,570
1961	1,700	2,230	3,130
1962	1,500	1,812	3,350
1963	1,400	2,530	3,420
Average of 3 highest years	1,505	2,330	3,300
Farm preliminary quota	1,640 ^{b/}	2,330 ^{c/}	2,675 ^{d/}

- a/ Community or township yield assumed 2,050 pounds, 80 percent of 2,050 = 1,640; 120 percent of 2,050 = 2,460.
- b/ Jones 1,505 raised to 80 percent.
- c/ Smith 2,330 within 80 to 120 percent.
- d/ Brown 2,675 his three-year average and national average divided by 2.

Table 2. Comparison of the acreage program and acreage-poundage quotas program.

	Acreage quotas	Acreage-poundage quotas
When 1965 base was 1.0 acre and community or township yield index was 2,050 pounds:		
1. 1966 base acreage	.85	1.06
2. Yield level permitted	No limit	2,050
3. Total marketing quota	No restriction	2,173 pounds
When 1965 base was .4 acre and community or township yield index was 2,050 pounds:		
1. 1966 base acreage	.4	.43
2. Yield level permitted	No limit	2,050
3. Total marketing quota	No restriction	882 pounds

below 80 percent of the average for the community or township it would slightly increase the pounds that could be marketed as compared to all farms in the township under the acre program. The farm with historical yields 120 percent above the average of the community or township it would moderately lower the pounds that could be marketed compared to all farms in the community or township under the present acreage program.

Comparison of the Two Alternatives for Different Sized Bases. Table 2 illustrates the impact of the acreage quota and the acreage poundage quota for a farmer having a base of 1.0 acre in 1965 and another farmer having a 1965 base of .4 acre.

Under the acreage quota alternative the farm with the 1.0 acre base in 1965 would be cut to .85 acre base in 1966 but would have no restriction on yield or pounds marketed from this base. If the acreage-poundage quota program is voted in, this farmer would have his base increased by 6.3 percent to 1.06 acre for 1966, but yield or pounds he could market would be restricted as indicated in Table 1.

Under the acreage quota program the farmer with a 1965 base of .5 acre or less would have no cut in acreage for 1966 and there would be no limit on yield or the amount he could market from this base. Under the acreage-poundage quota program the .5 acre base or less would also remain unchanged in 1966. But, as for the larger operator, pounds that he could market would be restricted.

Acreage-Program versus
Acreage-Poundage Program

1. The acreage-poundage program would give more effective control over production.
2. The acreage-poundage program would likely improve the average quality and usefulness of tobacco produced.

3. The acreage-poundage program would remove the incentive to strive for high yields regardless of costs and quality.
4. The acreage-poundage program would likely be more complex and difficult for producers to understand.
5. The acreage-poundage program would present landlord-tenant problems associated with carrying forward quotas for over- and underproduction.
6. The acreage-poundage program would allow less freedom and flexibility for the individual farmer.
7. In the short run the acreage-program may be more favorable for some individual producers while the acreage-poundage program may favor other producers.
8. An individual farmer should:
 - (a) carefully appraise the immediate impact of each program for his individual situation.
 - (b) consider the longer run effects of each program on the burley tobacco industry.