

Farmers' share of dollar shrinking

Minnesota farmers could easily buy the headline, "Carolina tobacco growers ride gold-plated tractors." It's easy to believe considering Minnesotans pay 38 cents in excise taxes for a pack of cigarettes.

But a recent USDA report shows tobacco farmers aren't necessarily getting rich by raising the flue-cured and burley plant.

In fact, since 1980 the farmer share of each dollar spent on tobacco products has shrunk from seven to four cents. That amounts to lost farm value of \$100 million between 1980 and 1987.

Meanwhile, cigarette prices have risen like fanned smoke. The Department of Agriculture says spending has doubled in the past 10 years while consumption of tobacco has dropped 10 percent since 1981.

Not many businesses could match this economic feat of stacking greater profits on a base of dwindling demand; but not many businesses are like the tobacco industry.

If we dismiss the gold-plated tractor theory, who is profiting from the \$33.5 billion spent on cigarettes each year? According to the USDA report, the manufacturer and wholesale arena has profited by instituting big price increases. Hikes in Federal, state and local taxes are responsible for the balance of higher prices.

USDA Economist Verner Grise writes, "Wholesale prices of filter-tipped cigarettes (excluding excise taxes) rose about 135 percent from mid-1980 to mid-1987." Beside covering added manufacturing costs, large price increases were able to match and even expand industry profits in the face of falling sales.

Unlike other consumer products, a boost in cigarette prices does not generally hinder sales and often results in more profits.

Spiraling increases between 1980 and 1987 raised manufacturer share of the tobacco dollar from 35 to 44 percent, but failed to translate into a greater share for growers. As mentioned, farmer dollar share even shrank by three percent during this time period.

Other profiteers in cigarette sales included Federal, state and local governments. While total taxes increased 47 percent between '80' and '87', Federal taxes accounted for 49 percent of the total. Likewise, 51 percent of the annual \$9.7 billion in tax revenue went to state and local governments.

Even though Federal excise taxes doubled in 1983, government's share of the cigarette dollar dropped from 34 to 29 percent by 1987. Grise writes, "While tax receipts rose during this period, the marketing bill rose faster, making taxes a smaller share."

Reduced cigarette production has meant slower movement of

leaf from Carolina tobacco barns. Increased manufacturer use of foreign flue-cured and burley tobaccos has also impacted on American growers.

In summation, a trend seems to be settling in for the rest of this century, according to the USDA report. Grise says, "Manufacturers will face falling domestic volume and will need to raise prices to maintain profits. State and local government tax rates will undoubtedly continue to rise."

He mentions that farmers will also see more income from tobacco sales, but does not predict whether their share of the tobacco dollar will rebound. To be on the safe side, North Carolina tobacco farmers might want to hold back on the purchase of gold-plated farm machinery; at least for a while.

Motley honored

Officials from Martin Community College in Williamston announced this week that Carl Reginald Motley of Hertford was among the 51 students named to the institution's academic lists for winter quarter. Motley, an Air Conditioning, Heating and Refrigeration student, was among the 25 students named to the Dean's List which is reserved for students who made a 4.00 (All A's) grade-point average.



Highway workers on the causeway project have drilled huge holes in the old road bed. Steel pilings are being driven through them to anchor the new road.

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