

**THE FEES AND CHARGES OF BURLEY TOBACCO
WAREHOUSES**

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL
to
THE GOVERNOR
and
THE GENERAL ASSEMBLY OF VIRGINIA**



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COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
RICHMOND
1965

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REPORT OF THE VIRGINIA ADVISORY LEGISLATIVE COUNCIL

Richmond, Virginia, October 29, 1965

To:

HONORABLE A. S. HARRISON, JR., *Governor of Virginia*
and

THE GENERAL ASSEMBLY OF VIRGINIA

Before 1946 there was no regulation of prices warehousemen could charge for services in connection with marketing burley tobacco. In 1946 the General Assembly enacted what are now Code §§ 61-154 and 61-155, which established a maximum commission allowable to burley tobacco warehousemen; charging in excess of this statutory maximum was made a misdemeanor. These maximum charges were established to protect farmers, to provide the warehousemen a fair return on investment, and to bring warehouse charges in line with services rendered.

Since 1946 the agricultural economy of the nation and of Virginia has undergone great change. Costs in farming and in warehousing have advanced materially. Both farmers and warehousemen have had to meet increased costs and taxes.

In order to determine what should be done to improve the situation both in the best interests of the farmer and the warehousemen Governor Harrison by letter of April 7, 1964 requested the Virginia Advisory Legislative Council to make a study and report upon the burley tobacco industry. The subjects to be studied included: the marketing, the sale of such tobacco at warehouses, the economic problems involved in all aspects of the industry, the reasonableness of commissions charged by warehouses, and whether or not there should be changes in the rate or amount of charges such warehousemen may collect.

The Council selected John H. Daniel, member of the House of Delegates and a member of the Council, to serve as Chairman of the Committee to make the initial study and report to it. The following were chosen to serve with Mr. Daniel on this Committee: Richard D. Chumney, then Commissioner, Department of Agriculture and Immigration; Paul C. Edmunds, III, Halifax, a businessman who has interests in several bright tobacco warehouses in Southside Virginia; Robert S. Orr, Dryden, member of the House of Delegates and a tobacco farmer; William H. Woodward, City Attorney of Bristol; and Dr. H. N. Young, Director, Virginia Agricultural Experiment Station, Blacksburg. John B. Boatwright, Jr. and Frank R. Dunham served as Secretary and Recording Secretary, respectively, to the Committee.

A review was made of the problems under study and existing legislation relating to burley tobacco warehouses both within and without the State. A public hearing was held in Abingdon after giving full publicity thereto in the area. This hearing was well attended and the views of the farmers and warehousemen were given in detail.

The Committee completed its study and presented its report. The Council has carefully considered the information and suggestions presented to it, and make the following recommendations:

I. §§ 61-154 and 61-155 of the Code of Virginia should be repealed by the 1966 General Assembly.

II. The Council should continue this study, with sufficient funds to survey the burley tobacco industry, and make a report thereon to the General Assembly of 1968.

REASONS FOR RECOMMENDATIONS

To understand the reason for these recommendations it is necessary to examine the burley tobacco production and marketing practices in Virginia and adjoining states.

Burley Tobacco Production

Burley tobacco, Type 31, is grown principally in eight states of the United States and many foreign countries. The production in the United States accounts for approximately 75 per centum of the burley tobacco grown in the world. In the United States, more than 90 per centum of burley tobacco is grown in four states - Kentucky, Tennessee, North Carolina, and Virginia, with Kentucky being the principal producer and producing about two-thirds of such tobacco grown in the United States.

In recent years total annual use of burley tobacco has been approximately 575 million pounds per year. However, production in 1962 and 1963 exceeded use by 91 and 178 million pounds, respectively, so that at the end of the market season in 1964, loan stocks being held by the co-operatives administering the price support program had reached a level of approximately 292 million pounds. Carry-over stocks on October 1, 1964, were at a record level.

Growers of burley tobacco in Virginia planted 10,900 acres in 1964, which is 3.6 per centum of the total acreage in the United States devoted to the production of burley. The yield in Virginia has been substantially above the national average in most of the last twenty years. The data showing the actual acreage planted to burley, yield per acre, and production for the four major producing states, Virginia, Kentucky, Tennessee, and North Carolina, are shown in tabular form in Table 1. This is shown graphically on Figure 1.

In comparing these production data for the four major states, it will be noted on Figure 1 that the percentage of total acreage of burley tobacco grown in Kentucky has shown a slight downward trend while the percentage grown in Virginia, North Carolina and Tennessee has moved upward very slightly over the years. This is largely due to the operation of the minimum allotment provision of the law which prohibits the reduction of acreage on farms where the allotment is at or below the minimum acreage. When first passed, this legislation provided for a minimum acreage of 1.0 acre. Subsequent legislation has reduced this minimum to the current level of 0.5 acre. Since a higher percentage of allotments in Virginia, North Carolina and Tennessee are at or below the minimum than in Kentucky, an acreage reduction does not reduce the over-all planted acreage proportionately in the four states.

In comparing the yields per acre of burley tobacco in the major producing states, it will be noted that with the exception of 1963, when Kentucky produced the most burley per acre with an average yield of

2325 pounds per acre, Virginia and North Carolina yields have led the nation. However, the yields per acre planted to burley tobacco in Kentucky and Tennessee have moved upward with respect to those in Virginia and North Carolina at a faster rate than have those in Virginia and North Carolina; and as a result, the percentage of the nation's burley tobacco grown in Kentucky shows a slight upward trend with the proportion grown in the other three states moving down slightly.

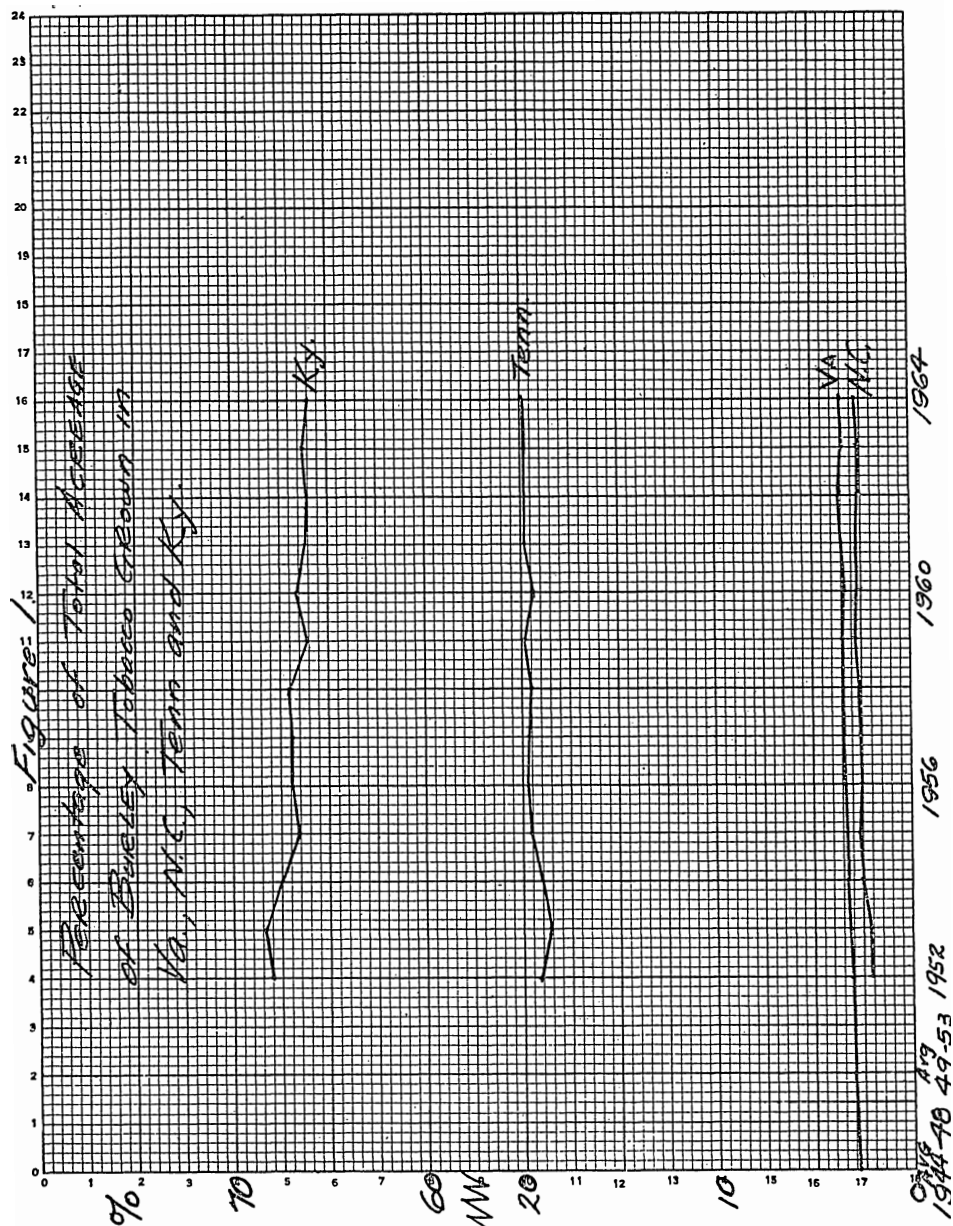


TABLE 1
Acreage, Yield, and Production of Burley Tobacco
in Virginia, Tennessee, Kentucky, North Carolina and United States
(1944-64)

	VIRGINIA			KENTUCKY			
	Year	Acreage	Yield (lbs.)	Production (1000 lbs.)	Acreage	Yield (lbs.)	Production (1000 lbs.)
8	1944	14,300	1,460	20,878			
	1945	14,500	1,530	22,185			
	1946	12,500	1,575	19,688			
	1947	11,400	1,625	18,525			
	1948	12,200	1,750	21,350			
	1949	12,800	1,575	20,160			
	1950	11,800	1,680	19,824			
	1951	14,000	1,730	24,220			
	1952	14,200	1,765	25,063	315,000	1,380	434,700
	1953	13,600	1,500	20,400	287,000	1,335	383,145
	1954	14,100	1,880	26,508	284,000	1,595	452,980
	1955	10,400	1,875	19,500	207,000	1,470	304,290
	1956	10,400	1,920	19,968	207,000	1,620	335,340
	1957	10,400	2,005	20,852	205,000	1,560	319,800
	1958	10,200	1,940	19,788	199,000	1,510	300,490
	1959	10,600	2,075	21,995	199,000	1,620	322,380
	1960	10,200	2,015	20,553	197,000	1,625	320,125
	1961	11,300	2,150	24,352	211,000	1,800	379,800
	1962	12,100	2,210	26,741	224,000	2,030	454,720
	1963	11,900	2,290	27,251	224,000	2,325	520,800
	1964	10,900	2,275	24,798	203,000	2,025	411,075

Year	TENNESSEE			NORTH CAROLINA			TOTAL BURLEY		
	Acreage	Yield (lbs.)	Production (1000 lbs.)	Acreage	Yield (lbs.)	Production (1000 lbs.)	Acreage	Yield (lbs.)	Production (1000 lbs.)
1944									
1945									
1946							470,080	1,224	573,869
1947									
1948							439,000	1,316	578,439
1949									
1950									
1951									
1952	89,000	1,375	122,375	12,000	1,680	20,160	463,500	1,403	650,148
1953	78,000	1,290	100,620	11,400	1,800	20,520	419,700	1,345	564,413
1954	80,000	1,450	116,000	12,700	1,920	24,384	420,900	1,586	667,572
1955	61,000	1,540	93,940	9,800	1,900	18,620	310,600	1,513	470,015
1956	61,000	1,620	98,820	9,400	1,850	17,390	309,800	1,635	506,395
1957	60,000	1,585	95,100	9,600	1,975	18,960	306,600	1,592	488,111
1958	58,000	1,680	97,440	9,300	2,000	18,600	297,100	1,567	465,528
1959	60,000	1,700	102,000	9,800	2,060	20,188	301,000	1,669	502,306
1960	57,500	1,595	91,712	9,500	1,940	18,430	295,700	1,639	484,713
1961	63,000	1,855	116,865	10,400	2,090	21,736	318,900	1,820	580,335
1962	67,000	1,795	120,265	11,000	2,185	24,035	338,684	1,992	674,658
1963	67,000	1,920	128,640	11,000	2,285	25,135	338,479	2,231	755,146
1964	60,500	1,995	120,698	9,700	2,165	21,000	306,600	2,022	619,794

Four counties in Virginia produce approximately 85 per centum of the burley tobacco produced in Virginia. These counties are Washington, Scott, Lee and Russell — in the order of their proportion of production. The acreage of burley produced in Washington and Russell Counties has trended downward slightly while the acreage devoted to burley in Scott and Lee, as a proportion of the total acreage grown in Virginia, has tended to remain fairly constant over this period. Yields per acre of burley tobacco in Russell County tend to be the highest in Virginia with Washington County following in second place. Lee and Scott Counties follow with yields that show little basic difference between the two counties. Seasonal variations could account for the fact that the counties more or less alternate with the higher yield. The proportion of the Virginia burley crop produced in Washington and Russell Counties is trending downward slightly with the proportion produced in Scott and Lee Counties holding relatively constant. The principal reason for this appears to be the downward trend in acreage in Washington and Russell Counties. It would seem that in these latter counties a greater number of growers are not producing their allotted acreage than in Scott and Lee Counties.

Average Allotments

The acreage allotment system has been used in burley tobacco for a long time. These allotments have been reduced more than 50 per centum since 1944. However, the increased yields per acre enabled growers to produce the largest crop in history in 1963 when production reached 755 million pounds. The average size allotment per farm in Virginia, Kentucky, Tennessee and North Carolina and for the entire country is shown in Table 2.

Marketing Burley Tobacco in Virginia

Burley tobacco is sold in Virginia in warehouses located at Abingdon, Gate City and Pennington Gap. These markets operate as a part of the entire burley marketing system and are affected competitively by nearby markets in Tennessee and North Carolina. For the purposes of this study, it is assumed that Virginia markets operate in a marketing area and are affected by two markets in North Carolina, West Jefferson and Boone; and by six in Tennessee, Mountain City, Jefferson City, Greeneville, Rogersville, New Tazewell and Morristown.

In 1944 only seven of these markets were operating. West Jefferson, North Carolina, first operated as a market in 1947; Pennington Gap, Virginia, opened in 1949; Mountain City, Tennessee, began selling in 1950; and Gate City, Virginia, was established as a market in 1954.

The proportion of the tobacco sold in this market area that was sold on Virginia markets was trending downward in the middle 1940's until the market at Pennington Gap was opened. This market reversed the trend; and between 1950 and 1957, Virginia's share trended upward. The upward trend was accelerated with the opening of the Gate City market in 1954, and this accelerated trend lasted until 1956. Since 1957, Virginia's share has trended downward with a slight upturn in 1963. The proportion sold on the two markets in North Carolina has been generally increasing at a slight rate. Opening the market in West Jefferson in 1947 increased North Carolina's share substantially in 1947 and 1948, but this increase was largely lost during the next two years. Since that time, the general trend in North Carolina has been slightly upward.

The proportion of tobacco sold on the markets in Tennessee, included in this study, shows a downward trend from 1944 to 1957 with a slight

TABLE 2
Average Size Allotments In
Major Burley Producing States

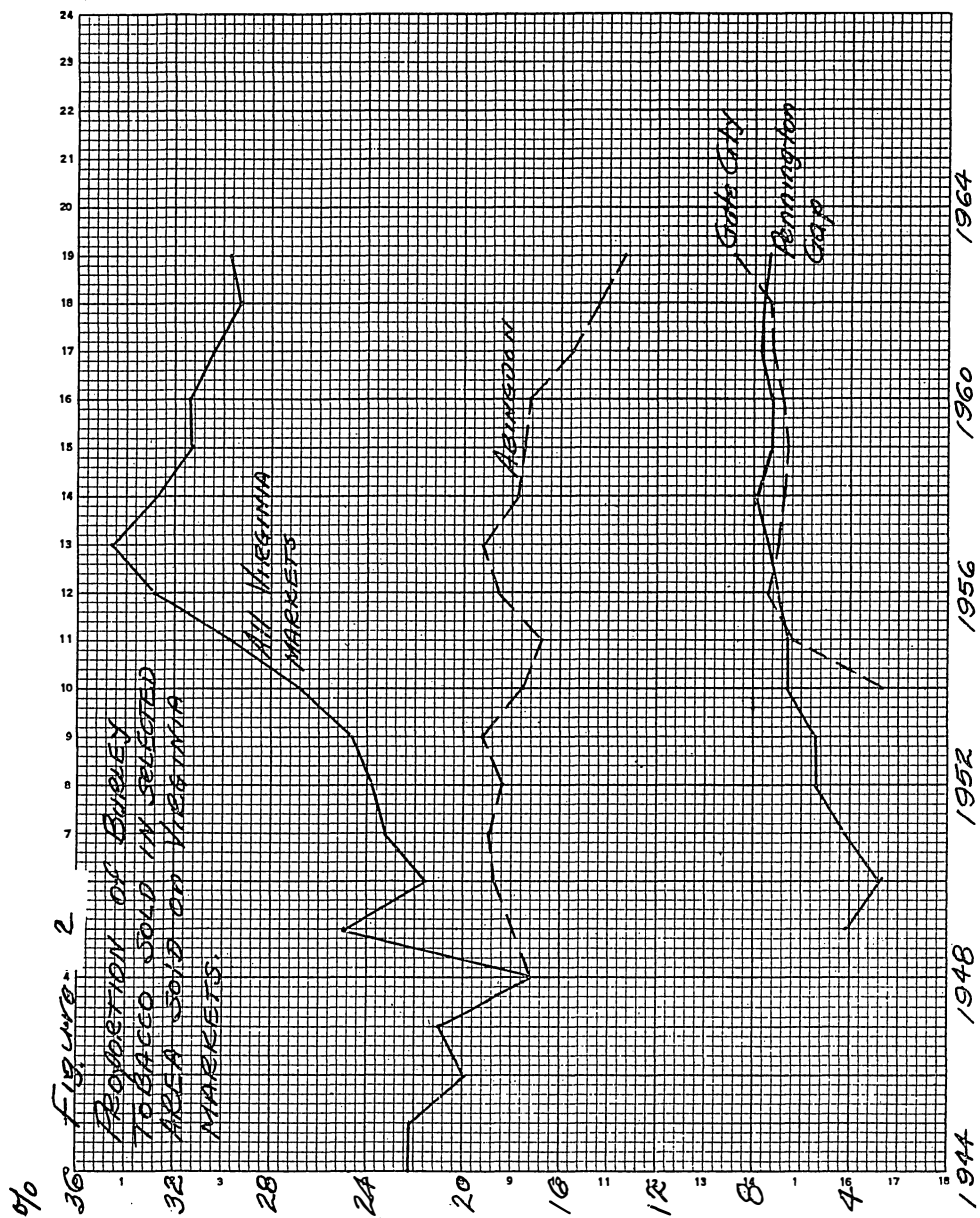
Year	Virginia	Kentucky	Tennessee	North Carolina	Total Burley
1944	1.36	3.08	1.50	1.24	2.34
1945	1.30	3.06	1.44	1.17	2.28
1946	1.16	2.74	1.28	0.97	2.04
1947	1.02	2.24	1.11	0.87	1.70
1948	1.00	2.18	1.08	0.84	1.65
1949	1.00	2.15	1.05	0.81	1.62
1950	0.89	1.83	0.95	0.74	1.40
1951	0.97	2.06	1.04	0.82	1.56
1952	0.94	2.05	1.02	0.79	1.54
1953	0.84	1.86	0.92	0.71	1.39
1954	0.75	1.69	0.84	0.64	1.26
1955	0.64	1.36	0.69	0.57	1.01
1956	0.64	1.36	0.69	0.57	1.02
1957	0.64	1.37	0.69	0.57	1.02
1958	0.64	1.37	0.68	0.57	1.02
1959	0.64	1.37	0.68	0.57	1.02
1960	0.64	1.38	0.68	0.57	1.02
1961	0.68	1.47	0.72	0.60	1.09
1962	0.72	1.56	0.77	0.64	1.16
1963	0.72	1.57	0.77	0.64	1.16
1964	0.65	1.43	0.70	0.58	1.06

upward trend since that time. It would appear from these data that a substantial portion of the tobacco now being sold in Pennington Gap and Gate City formerly moved into Tennessee for sale.

The proportion of burley tobacco sold in this area on each of the Virginia markets is shown on Figure 2. It may be noted that the proportion of tobacco in this market area sold on the Abingdon market declined sharply from 1944 to 1948, remained fairly constant until 1957, and has been declining steadily since. However, the proportion sold in Gate City and Pennington Gap has shown a slight upward trend since these markets became firmly established. These data further show that the proportion of tobacco sold in Abingdon has been dropping faster than the total for all Virginia markets.

Movement of tobacco across state lines for sale has a definite effect on the volume of sales on Virginia markets. Marketing data indicate that from 1944 until 1955 Virginia producers sold more tobacco on markets in other states than producers in other states sold on Virginia markets. From 1956 through 1961, the reverse was true; and in 1962 and 1963, the marketing situation reversed again. These data are shown in tabular form in Table 3. The net loss to Virginia markets increased considerably when West Jefferson opened, decreased appreciably when Pennington Gap opened, decreased slightly when Mountain City opened, and moved from a net loss to a net gain situation after Gate City opened. In recent years, however, the flow of tobacco out of Virginia has in-

creased until it now exceeds the movement into Virginia. A substantial increase has occurred in the movement of tobacco from Virginia to both North Carolina and Tennessee with an appreciable increase in the movement from Tennessee to Virginia and virtually none moving from North Carolina into Virginia. Movement of tobacco from Virginia to Kentucky and West Virginia for sale is practically nonexistent, and a relatively small amount moves from these states into Virginia for sale. It should also be noted that the movement of tobacco between North Carolina and Tennessee in recent years shows a substantial increase in that going from North Carolina to Tennessee but a slight downward trend in that moving from Tennessee to North Carolina. Mountain City, Tennessee, has shown a substantial increase in the proportion it sells of the tobacco



sold in this area. In view of the proximity of the North Carolina markets and Mountain City, Tennessee, to the Abingdon trade area, it appears logical to conclude that these markets have gained at the expense of the Abingdon market. Further study would be needed to determine why Virginia growers are attracted to these out-of-state markets which charge higher commissions and why such are not attracted to the Abingdon market.

TABLE 3
Relationship Of Production In Virginia
Producer Sales In Virginia, (1944-63)

Year	Produced in Virginia (1000 lbs.)	Producer Sales in Virginia (1000 lbs.)	Gain (1000 lbs.)	Loss (1000 lbs.)
1944	20,878	15,859		5,019
1945	22,185	17,968		4,217
1946	19,688	14,729		4,959
1947	18,525	13,832		4,693
1948	21,350	13,071		8,279
1949	20,160	15,634		4,526
1950	19,824	14,877		4,947
1951	24,220	18,996		5,224
1952	25,063	20,890		4,173
1953	20,400	17,130		3,270
1954	26,508	22,810		3,698
1955	19,500	18,823		677
1956	19,968	21,186	1,218	
1957	20,852	22,796	1,944	
1958	19,788	21,751	1,963	
1959	21,995	23,240	1,245	
1960	20,553	21,345	792	
1961	24,352	25,121	769	
1962	26,741	25,857		884
1963	27,251	26,424		827

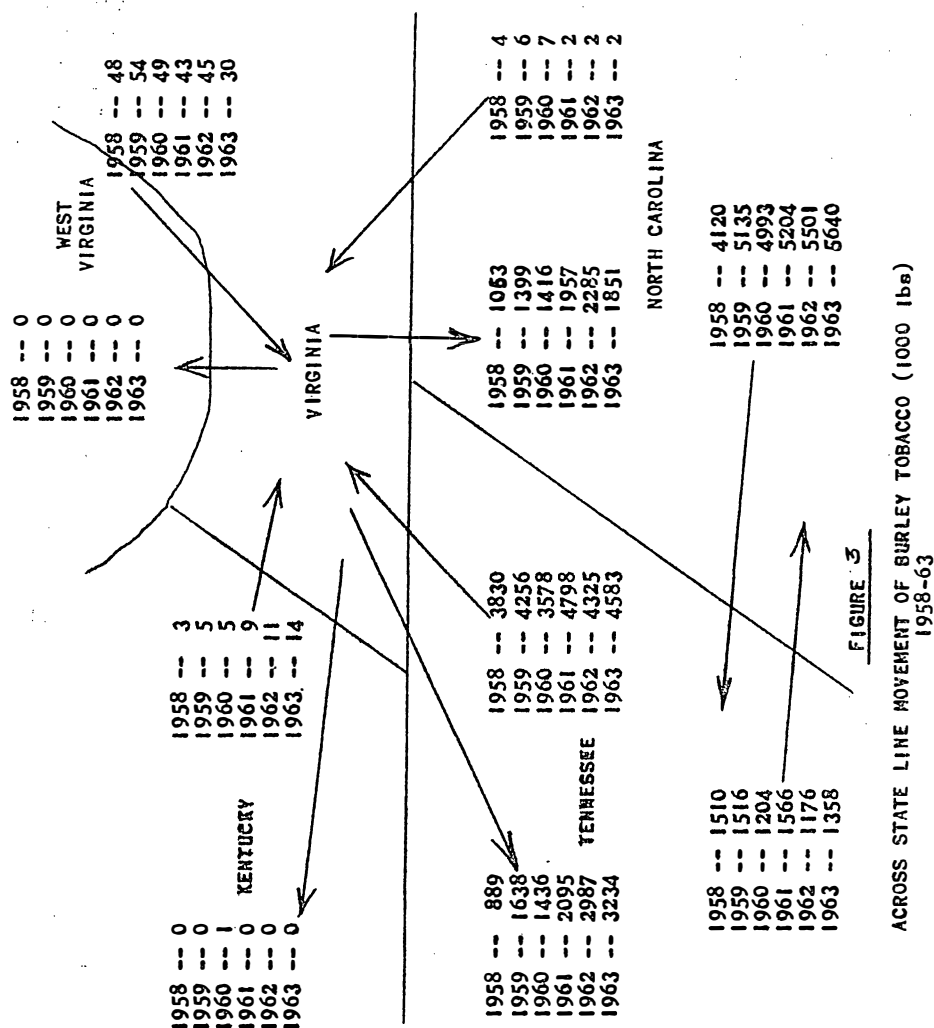


FIGURE 3

ACROSS STATE LINE MOVEMENT OF BURLEY TOBACCO (1000 lbs)
1958-63

Producer Prices

Average prices received by producers on a market are a possible factor in determining whether the producer returns to the market or finds another market on which to sell his tobacco. This is a factor in marketing that is difficult to determine. The average prices received by producers on the several markets in Virginia, the Virginia average, and the total burley average are shown in Table 4. These data show that in fourteen of the last twenty years the average price received by producers on Virginia markets was below the national average. There are a number of factors which affect prices, such as variations in seasons that affect quality, inherent quality differentials caused by soil, general climate, etc., and production and marketing practices which establish a good or bad reputation for a market or market area.

When the prices paid producers on the several markets in Virginia were compared, it was noted that during the last ten years the highest prices in Virginia in nine of those ten years were received at Pennington Gap, the Abingdon market having paid producers the highest average in

only one of the last ten years. A comparison of the more recent years shows that in the last five years Pennington Gap has had the highest average price in all five years, with Abingdon the lowest in four, and Gate City the lowest in the other year of the last five. Sufficient data are not available to determine the quality composition of the tobacco sold on each of these markets. It is, therefore, impossible to determine factually whether the quality of the tobacco offered for sale at each location was comparable. However, if growers feel that comparable tobacco will bring a lower price on a given market, they would tend to sell elsewhere if they can; and this may have contributed to the decline of sales on the Abingdon market.

On Virginia markets, burley is sold at auction at a rate of 360 baskets per hour for a sales day of three and a half hours. Four sets of buyers are available for buying on the three markets. Two of them are located at Abingdon and one each at Pennington Gap and Gate City. For the 1963 crop, nine warehouses operated by six firms were used at Abingdon, four warehouses operated by three firms at Pennington Gap, and two firms operated two warehouses at Gate City.

The estimated warehouse floor space available for the sale of burley tobacco in Virginia is 1,430,000 square feet of which 707,000 is in Abingdon. In 1946, 350,000 square feet were available in Abingdon with none in Gate City and Pennington Gap. Based on an estimate of 60

TABLE 4
Burley Tobacco: Season Producer's Sales
Average Price Per 100 lbs. Received By Producers

Year	Abingdon	Gate City	Pennington Gap	Total Virginia	Total Burley
1944	43.31			43.31	44.08
1945	40.18			40.18	39.55
1946	38.89			38.89	39.69
1947	45.48			45.48	48.52
1948	45.99			45.99	46.10
1949	43.09		41.92	42.87	45.28
1950	51.95		47.66	51.37	49.05
1951	54.28		49.27	53.35	51.17
1952	50.17		50.13	50.16	50.31
1953	48.93		52.38	49.70	52.59
1954	50.68	48.86	52.16	50.84	49.92
1955	55.91	55.81	56.65	56.05	58.63
1956	63.67	62.45	63.29	63.31	63.61
1957	57.25	57.32	58.09	57.45	60.28
1958	64.55	64.49	66.03	64.90	66.16
1959	58.14	57.41	61.09	58.67	60.64
1960	63.79	66.04	66.21	64.85	64.32
1961	65.48	66.31	67.26	66.13	66.51
1962	59.13	61.54	61.98	60.48	58.61
1963	51.35	56.88	60.31	55.28	59.17

square feet of floor space being required to receive, weigh, display and ship a basket of tobacco, this floor space is 4.7 times as much space available as is needed to operate the four sets of buyers assigned to the Virginia markets. This has a very definite bearing on the cost of operating these markets.

For services rendered, the warehouseman is paid a basket charge of 25 cents per basket, plus a 3 per centum commission on the value of the tobacco sold by the producer. The charges for sale of burley tobacco in North Carolina are also fixed by a state statute at 25 cents per basket, plus 3½ per centum commission on gross sales. The rates in Kentucky and Tennessee are not established by state statute and vary from market to market. Charges in Virginia are lower than on any other market in the burley area.

Based on these charges in Virginia and the average weight per basket of tobacco sold on all burley markets, the income to warehousemen in Virginia from the sales of tobacco have been estimated and are included as Table 5. By comparison on Virginia dark-fired tobacco markets, the compensation received by warehousemen has averaged approximately \$1.60 per hundred pounds over the 1959-62 period; and for flue-cured tobacco in the Old Belt of Virginia and North Carolina, the average for 1961-63 was approximately \$1.72. It will be noted in Table 5 that the income to warehousemen is becoming more and more dependent on the value of gross sales as the average weight of the basket becomes larger. The average weight of the baskets is increasing because warehousemen are interested in filling the available sales space with as much tobacco as possible to increase their gross sales.

TABLE 5
Estimated Income To Warehousemen In Virginia
From Sales Of Tobacco
(1947-63)

Year	Gross Sales Virginia (1000 lbs.)	Value of Gross Sales (\$1000)	Basket Charges (.25/basket)	Commission 3%	Total	Per Cent of Total From Commissions	Return Per CWT
1947	15,325	\$ 6,926	\$16,373	\$207,780	\$224,153	92.7	\$1.46
1948	14,909	6,807	13,908	204,210	218,118	93.6	1.46
1949	17,983	7,678	18,732	230,340	249,072	92.5	1.39
1950	17,112	8,742	17,678	262,260	279,938	93.7	1.64
1951	21,772	11,510	17,846	345,300	363,146	95.1	1.67
1952	23,361	11,620	18,840	348,600	367,440	94.9	1.57
1953	19,510	9,612	16,368	288,360	304,728	94.6	1.56
1954	24,830	12,486	18,754	374,580	393,334	95.2	1.58
1955	20,503	11,446	18,505	343,380	361,885	94.9	1.77
1956	22,888	14,448	20,773	433,440	454,213	95.4	1.98
1957	25,549	14,543	21,362	436,290	457,652	95.3	1.79
1958	23,222	15,024	20,984	450,720	471,704	95.6	2.03
1959	25,247	14,708	20,831	441,240	462,071	95.5	1.76
1960	22,571	14,577	19,525	437,310	456,835	95.7	2.02
1961	26,396	17,438	19,352	523,140	542,492	96.4	2.06
1962	27,590	16,597	19,707	497,910	517,617	96.2	1.88
1963	28,771	15,793	18,490	473,790	492,280	96.2	1.71

Warehousemen's Expenses

The expenses of warehousemen, of course, determine the net profit and loss from such an operation. According to the figures presented by Dent K. Burke Associates, Certified Public Accountants, in 1961-1962 total expenses for the warehousemen were \$2.26 per hundred pounds, as shown in Table 6. This includes salaries for owner-operators of \$3,500 per season and interest on the owners' depreciated investment at five per centum. This expense item may be compared with the estimated figure of \$2.06 per hundred weight received in 1961-1962. Eleven cents of the \$2.26 is charged for hauling and loss on leaf accounts after deducting short weights. Hauling in some instances is paid as an inducement to growers to bring their tobacco to the market and, on this basis, is a questionable item of cost. Another operating expense is listed as "other expenses" which totals approximately 20 cents per hundred weight and is not further identified. This comprises about ten per centum of the total expense and further identification would be highly desirable.

More than one-fourth of the total expense is charged to the cost of buildings and 52 cents of this item is charged for unneeded space. Of course the buildings are available and must be paid for, but the question remains whether the warehousemen should be given an opportunity to

TABLE 6
Analysis Of Burley Tobacco Warehousemen's Expenses

Expenses	Expenses of Warehouses Selling 67% of 1961 Crop in Virginia	Cost Per CWT
Salaries (other than operators)	\$ 120,464	
Salaries (owner-operators) 12 @3500	42,000	
Total Personnel	\$ 162,464	\$0.92
Rent (on houses not owned by operator)	54,565	
Depreciation on buildings	18,038	
Building repairs	2,422	
Interest on mortgages	6,573	
Taxes and licenses (no income taxes)	17,111	
Interest on owner's investment (5%)	19,186	
Total Buildings	\$ 117,895	\$0.67
Other depreciation	5,971	
Advertising	10,477	
Interest and exchange	22,035	
Legal and accounting	6,325	
Travel	6,378	
Insurance	13,199	
Other expense	35,317	
Total Operating Expense	\$ 99,702	\$0.56
Hauling	11,591	
Loss on leaf account after deducting short weights	7,936	
Total Other Expenses	\$ 19,527	\$0.11
Total Expenses	\$ 399,588	\$2.26
Gross sales in Virginia	26,396,000	
67%	17,685,000	

pass this cost on to the grower since the grower does not need the space and did not participate in the decision to invest in it initially. However, the warehousemen contend that sale time is allotted on the basis of available floor space, and that storage of tobacco for the farmers is a benefit to the farmer and also allows more available sale days. Growers are encouraged to bring their tobacco to market early to have it in place when the sale occurs. Warehousemen prefer to have all their space filled with tobacco at the opening of the market for it gives them sufficient tobacco to operate for a full sales week. Under this practice tobacco can be weighed for sale as much as ten days before it is actually sold. Growers recognize this; in an effort to get on the market they occasionally bring tobacco to market with soft stems, knowing that it will in many instances dry up before the sale but by weighing it early they can have the advantage of extra weight. The short weights, which occasionally are encountered, are borne by the warehousemen; this appears to be a questionable practice and if abused could damage the reputation of the market.

The foregoing is a brief picture of the production and sale of burley tobacco in Virginia and, to a limited extent, in neighboring states. It is evident that changes have been going on and are still underway.

CONCLUSION

It is clearly apparent to us that the conditions on the various burley tobacco markets in Virginia vary considerably. It is likewise apparent that the maximum charges which were imposed in 1946 are not in line with today's costs. We realize that the farmer is caught in a cost squeeze. Various proposals have been considered for changing the maximum charges which may be levied by the warehousemen, but these did not appeal to us because they might help one marketing area and hurt another, or because the farmer or warehouseman might be dealt with unfairly, or for some other reason.

When the General Assembly fixes the maximum charge which is allowable to warehousemen, this cannot be changed until the General Assembly meets again. Hence for the General Assembly to fix the maximum charges might well result in unfairness either to the farmer or to the warehouseman. To continue the present charges means extending them when costs have advanced far in excess of what they were in 1946. The wisest course appears to us to be to repeal the 1946 legislation and leave the maximum charge to be fixed by agreement between the warehouseman and the farmer. This will permit the warehouseman to adjust his charges on the basis of his costs and, at the same time, allows the farmer to sell his tobacco at the warehouse which makes him the most attractive offer on the basis of services offered and commissions charged. Virginians have traditionally believed in the virtues of free enterprise and fair competition, and our recommendation is designed with these principles in mind. We therefore propose that Code §§ 61-154 and 61-155 be repealed.

At the same time, we believe that the study should be continued.

The burley tobacco industry has undergone 15 years of significant change. We pointed out earlier how acreage has been decreased but production increased with the consequence that tremendous surplus stocks of tobacco are now on hand overshadowing the market and holding down prices.

The United States Department of Agriculture has recognized this situation by creating a Burley Tobacco Task Force on Marketing Practices; this action was taken in response to a recommendation from the National Tobacco Industry Advisory Committee. The Task Force will study burley marketing practices and recommend needed changes in regulations and procedures. It is hoped that this Task Force will also consider the matter of how buyers are assigned to burley tobacco warehouses, which assignments cause some of the difficulty confronting burley tobacco farmers and warehousemen in this State. While the Virginia Advisory Legislative Council is continuing its study, with such funds as may be necessary, it will have the advantage of the findings of the Task Force, as well as being able to observe the results of repealing the present Virginia statutes which fix maximum charges at burley tobacco warehouses.

It may be asked why the repeal is not held off until the Task Force completes its report and the Virginia Advisory Legislative Council has had an opportunity to make its own analysis of that report and submit its report; the reason for not postponing the repeal of the two statutes is simple: a considerable period of time may elapse between the going to work of the Task Force and the completion of its report, and we believe that the nature of the problem is such as to dictate action now. The repeal of the statute will not, in our judgment, adversely affect either farmers or warehousemen, but a delay in the repeal of the statute might well operate adversely to such interests by causing an operational loss to the Virginia burley tobacco warehousemen and a possible closing down of a number of warehouses. As noted above, with the repeal of the statutes, farmers will be in a position to bargain for the best commission, warehousemen will be encouraged to cut costs, and, to a limited extent, economic freedom will be restored in this segment of our economy.

We express our appreciation to the members of the Committee and to the many other persons who assisted in the completion of this study.

A bill and resolution to effectuate the recommendations made herein are attached.

Respectfully submitted,

EDWARD E. WILLEY, *Chairman*

TOM FROST, *Vice-Chairman*

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JOHN WARREN COOKE

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CHARLES D. PRICE

ARTHUR H. RICHARDSON

WILLIAM F. STONE

A BILL To repeal § 61-154 and 61-155 of the Code of Virginia relating to certain maximum and minimum fees which may be imposed by operators of public burley tobacco warehouses, and penalties for violations.

Be it enacted by the General Assembly of Virginia :

1. That §§ 61-154 and 61-155 of the Code of Virginia are hereby repealed.

HOUSE JOINT RESOLUTION NO.

Directing the Virginia Advisory Legislative Council to continue its study of fees and charges of the burley tobacco warehouses in the State.

Whereas, the Virginia Advisory Legislative Council was requested by Governor Albertis S. Harrison, Jr. to make a study and report upon fees and charges of the burley tobacco warehouses in the State, reported thereon and pointed out the need for further consideration and study; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the Virginia Advisory Legislative Council is hereby directed to continue the study and report upon the fees and charges of the burley tobacco warehouses in the State. The Council is directed in making this further study, among other things, to survey the burley tobacco industry of Virginia. All agencies of the State shall assist the Council in its study. The Council shall conclude its study and make its report, containing its findings and recommendations, to the Governor and General Assembly not later than October one, nineteen hundred sixty seven.