

pounds. In accordance with section 301(b)(14)(C) of the 1938 Act the reserve stock level is the greater of 15 percent of the previous year's quota (548.9 million pounds  $\times .15 = 82.3$  million pounds) or 100.0 million pounds. Thus, the reserve stock level for use in determining the 2002 marketing quota for flue-cured tobacco is 100.0 million pounds.

Pre-1997 loan crops have been sold. Further, manufacturers agreed in December of 1998, 1999, and 2000 to purchase an additional 210.0 million pounds, thereby reducing loan inventory to 46.9 million pounds. In addition, the Agricultural Rural Development, Food and Drug Administration and Related Agencies Appropriations Act of 2001 (Public Law 106-387), as amended, allowed the forfeiture of 1999 loan inventories. Loans from the 2001 crop total 121 million pounds, making total loan stocks 77.9 million pounds. Accordingly, the adjustment to maintain loan stocks at the reserve supply level is an increase of 22.1 million pounds.

The total of the three marketing quota components for the 2001-2002 Marketing Year (MY) is 582 million pounds. Accordingly, the national marketing quota for the MY beginning July 1, 2002, for flue-cured tobacco is 582 million pounds.

Section 317(a)(2) of the 1938 Act provides that the national average yield goal be set at a level that the Secretary determines will improve or ensure the usability of the tobacco and increase the net return per pound to the producers. Since average yields have not changed significantly in recent years, the national average yield goal for the 2002 MY will be 2,088 pounds per acre, the same as last year's level.

In accordance with section 317(a)(3) of the 1938 Act, the national acreage allotment for the 2002 crop of flue-cured tobacco is determined to be 278,735.63 acres, derived from dividing the national marketing quota by the national average yield goal.

In accordance with section 317(e) of the 1938 Act, the Secretary is authorized to establish a national reserve from the national acreage allotment in an amount equivalent to not more than 3 percent of the national acreage allotment for the purpose of making corrections in farm acreage allotments, adjusting for inequities, and for establishing allotments for new farms. The Secretary has determined that a national reserve of 733 acres is adequate for these purposes.

In accordance with section 317(a)(4) of the 1938 Act, the national acreage

factor for the 2002 crop of flue-cured tobacco for uniformly adjusting the acreage allotment of each farm is determined to be 1.06, which is the result of dividing the 2002 national allotment (278,735.63 acres) minus the national reserve (733 acres) by the total of allotments established for flue-cured tobacco farms in 2001 (262,265.98 acres).

In accordance with section 317(a)(7) of the 1938 Act, the national yield factor for the 2002 crop of flue-cured tobacco is determined to be 0.9251, which is the result of dividing the national average yield goal (2,088 pounds) by a weighted national average yield (2,257 pounds).

#### Price Support

Price support is required to be made available for each crop of a kind of tobacco for which quotas are in effect, or for which marketing quotas have not been disapproved by producers, at a level determined in accordance with a formula prescribed in section 106 of the 1949 Act.

With respect to the 2002 crop of flue-cured tobacco, the level of support is determined in accordance with sections 106(d) and (f) of the 1949 Act. Section 106(f)(7)(A) of the 1949 Act provides that the level of support for the 2002 crop of flue-cured tobacco shall be:

(1) The level, in cents per pound, at which the 2001 crop of flue-cured tobacco was supported, plus or minus, respectively,

(2) An adjustment of not less than 65 percent nor more than 100 percent of the total, as determined by the Secretary after taking into consideration the supply of the kind of tobacco involved in relation to demand, of:

(A) 66.7 percent of the amount by which:

(I) The average price received by producers for flue-cured tobacco on the U.S. auction markets, as determined by the Secretary, during the 5 MY's immediately preceding the MY for which the determination is being made, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, is greater or less than:

(II) The average price received by producers for flue-cured tobacco on the U.S. auction markets, as determined by the Secretary, during the 5 MY's immediately preceding the MY prior to the MY for which the determination is being made, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period; and

(B) 33.3 percent of the change, expressed as a cost per pound of tobacco, in the index of prices paid by

the tobacco producers from January 1 to December 31 of the calendar year immediately preceding the year for which the determination is made.

The difference between the two 5-year averages (*i.e.*, the difference between (A)(I) and (A)(II)) is 0.10 cent per pound. The difference in the cost index from January 1, 2001, to December 31, 2001, is -1.7 cents per pound. Applying these components to the price support formula (0.0 cent per pound, two-thirds weight; -1.7 cents per pound, one-third weight) results in a weighted total of -0.6 cent per pound. As indicated, section 106 of the 1949 Act provides that the Secretary may, on the basis of supply and demand conditions, limit the change in the price support level to no less than 65 percent of that amount. As there was no justifiable basis found for limiting the decrease (which reflected a change in production costs), and in order to aid in the marketing of the crop, that discretion was not utilized. Accordingly, the 2002 crop of flue-cured tobacco will be supported at 165.4 cents per pound, 0.6 cent lower than the 2001 crop.

The 2000 and 2001 quotas and price support were determined using the same methodology as described for the 2002 quota and price support. With respect to the marketing quota determinations, for the 2000 crop the purchase intentions, exports (three year average), reserve stock average, and final quota (103% of the total) were 286.0, 334.1, (-92.9), and 543.0 and for 2001 were 297.0, 297.7, (-61.8), and 548.9. The adjustment up to 103% was made, as allowed by statute, to lessen the impact on producers of the declining quotas. Following the time of the determinations for the 2002 crops, the Congress, in Pub. L. 107-71, adjusted the reserve stock level for flue-cured tobacco, doing so in section 1610 of that Act. That change will impact future crops. With respect to price support the price indices used in the price support level determination, the changes (in cents) in prices received and in prices paid per pound were for the 2000 crop determination, 0.4 and 1.5 and for the 2001-crop calculation (-0.2) and 6.5. In order to aid the marketing of the 2000 and 2001 crops, the Secretary used the discretion allowed by the authorizing statute to limit the price support increase to 65% of the increase that would have otherwise been produced by the formula. Copies and other supporting documents are available from Mr. Robert L. Tarczy, USDA, Farm Service Agency, Stop 0514, 1400 Independence Avenue, SW., Washington, DC 20250-0514, telephone 202-720-5346.