

“Tobacco: Golden Leaf Brought City Fame and Fortune”¹

If there ever was a city that was born and raised on tobacco, then that city is Danville. Leaf tobacco has brought the city as much of its fame -- and a good bit of its fortune as well -- as any of its other business or industrial enterprises. People around the globe smoke cigarettes made with tobacco that was purchased on Danville warehouse floors. The city enjoys a reputation as one of the world's major markets of fine smoking leaf. It is known as the birthplace of "Bright Leaf Tobacco," which is not the backbone of the nation's tobacco industry. The city is known as the "World's Best Tobacco Market," and the name is not without justification. During the 107 years since the Danville Tobacco Association was founded, growers have sold 84,744,445,404 pounds of tobacco. They have taken home approximately \$1,626,898,841 for their offerings.

The market also is known widely for its innovative sales practices, which have served to make the Danville warehouses models for other tobacco centers across the country. Major innovations included the "Danville System" of tobacco auctions and the more recent "Danville Plan" -- a method of allotting sales time on a poundage basis rather than by sales days to individual markets.

Official records of the city's tobacco sales were kept for the first time in 1869, the year of the Danville Tobacco Association's founding. Although all records for the local market date from that year, the city was known as a leading center of tobacco production since the turn of the 18th century. The city's location by the Dan River played a major role in establishing it as the major tobacco market of the fledgling United States. Founded in 1793, the city was to be the site of the state's first tobacco warehouse. The Dan River served as transportation to the east, where the leaf was loaded onto ships ready for sail or processed into the products of the day -- snuff, chewing or pipe tobacco. The first warehouse gave rise to four others by 1830 -- all owned by the state. Three years passed and 10 tobacco factories for processing had arisen in Danville.

The Panic of 1837 appeared to be a terminal blow to the Danville market. The state warehouses were forced to close and farmers were left without locations for marketing their leaf. But the failure of the government system threw the marketing into the hand of free enterprise and local buyers were quick to take matters into their own hands.

Bright Leaf. There is nothing as dear to a tobacco farmer's heart as a magnificent leaf of "Bright Tobacco." As the tobacco is harvested up the stalk, the middle leaves often get to be as much as a yard long. When a farmer takes one of those leaves and lets it absorb enough moisture to open it fully, the leaf looks like a golden kite. But Bright Tobacco is

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not a particular brand; rather it is the way the tobacco is cured that produces the gold color in the mid-stalk leaves and the finer, yellower cure toward the top leaves. If the confluence of the Tigris and Euphrates rivers was the cradle of civilization, then the area southeast of Danville and the Dan River was the cradle of Bright Tobacco. It had its origin as a mistake -- a freak accident that changed the tobacco industry. The account of how the leaf came to be in 1839 on the Caswell County, N.C. farm of Abisha Slade runs thus:

A young slave, Stephen, on Slade's farm was tending the tobacco barns one rainy night when he drowsed off, an occurrence not uncommon around old-time curing barns. He awoke and agonized momentarily over the dying fire and the soaked firewood. Rushing to a charcoal pit, he returned and heaved several hunks of the hot-burning stuff onto the fire. As the fire began to blaze up, the heat grew much hotter than the normal curing fire which had been wood-fed. The sudden surge of intense heat after the sap had been dried out gradually produced a barn full -- 600 pounds -- of the brightest leaf ever seen to a manufacturer in those days.

An accident -- yes indeed -- but the price the bright yellow leaf fetched was even more of an accident. The prevailing average for tobacco in 1839 was \$10 a hundredweight. When the bright leaf -- even more fragrant than other offerings as well -- went to bids, it drew \$40 a hundredweight, a figure four times greater than the prevailing price.

Slade came from a tobacco-producing family. Although no official accounts exist of the Slade family from 1839 to 1856, it is believed that the family went about perfecting the curing method which came about by accident. Slade emerged as a tobacco professor of sorts that year and began instructing his fellow growers in the process of "curing yellow tobacco."

Historic accounts indicate that growers in the area had produced Bright Leaf earlier than 1839. Their efforts are believed to be hit-or-miss ventures which produced the golden tobacco but never reproduced it. Slade is acclaimed as the first man to make a semi-science of tobacco curing and who set down the guidelines for yellowing tobacco which were modified into current curing practices.

Warehouse System Forerunner. The first "street sales" of loose leaf tobacco began to take place. Previously, the government warehouses had taken in growers' offerings in hogsheads, weighed and sampled the leaf and then sold the tobacco. The on-street auctions did away with the hogshead-bound tobacco and allowed buyers to check the leaf as it came into town in wagons. The arrival of a grower was announced through the market areas and the buyers moved around the loads gathering their samples. When a sale price was agreed upon, the buyer took the tobacco to have it weighed. This early system was a primitive sales method at best. Once the grower lost sight of his tobacco when it was carried to be weighed, he felt he could easily be cheated. The buyer often claimed that the samples had been planted, and the result of weighing and checking often proved the tobacco of lesser quality than the samples. As the complaints continued on both sides, the idea for the warehouse system of tobacco sales began to form itself in Danville.

The Warehouse System. Thomas D. Neal was the first to build a privately owned sales warehouse anywhere, with assistance from William Pinckney Graves, T. R. McDearman and others. The warehouse went up in 1858 and a Neal's Warehouse still stands in Danville. Neal was a businessman and he knew an opportunity when he saw one. Tobacco growers from North Carolina would load their wagons and head to Lynchburg. As they drove through Danville, Neal was quick to see that the closer to home the grower could find a market, the more easily he would stop. If the warehouseman could establish a system where both buyer and grower could drop all complaints, then both would go home satisfied.

The system allowed the leaf to be displayed on the floor where growers and buyers could keep an eye on each other. The buyer would lose nothing because he could take his own samples. The grower could watch the samples to make sure they went back on the pile. A third person, impartial and employed by the warehouse, did the weighing while both buyer and seller looked on. Everything was honest and the only complaints heard were over demanded prices that were too high or bid prices that were too low -- complaints that are heard today on most tobacco markets.

The buyers who had previously passed through Danville began to stop here. Neal and his associates had ridden through the countryside, personally asking farmers to sell in the city. Neal sought to gain the right of inspection for his warehouse system and the Virginia Assembly granted that right on February 6, 1860. The Assembly also granted him the right to charge for inspection of tobacco three weeks later in an amendment. The act of legislation was no small feat -- Neal had secured the right of inspection for the first time since 1837, when the governmental warehouses had shut their doors. The warehouse was to operate under legislative sanction for little more than a year. The Civil War was brewing and the tobacco industry was to be dealt another blow. Although many felt the blow might be fatal, the Civil War only delayed the permanent establishment of the "Danville System."

Re-establishment. The war took its toll on the tobacco industry, leaving many Southerners with little or no money to spend on tobacco production. As the demand for the fragrant "Bright Leaf" grew, new warehouses began to rise in Danville. The first was built in 1868 by one of Neal's early partners, William Pinckney Graves. The warehouse was called "Holland's." Graves established a second warehouse -- "Graves" -- in his own name in 1868. Neal returned and established "Planter's Warehouse" in 1869. The Civil War had eliminated slavery and set up the need for field labor, which farmers were hard-pressed to find. The cost of squeezing tobacco into hogsheads -- or "prizing" -- proved too much of an expense to most farmers and the loose-leaf system of sales began to shape itself -- never to disappear.

Danville Tobacco Association. As the Danville System began to spread to other tobacco marketing areas, the local warehousemen began to see the need for an organization which could standardize practices throughout the city's warehouses. Warehouse owners tended to be independent personalities, but they realized that what was good for one owner was usually good for all owners to insure the continued growth of the industry. And so the

Danville Tobacco Association came into being in 1869 -- a group of men who insisted that ethical conduct with growers and buyers was the single way to boost the industry. The first president of the association was P. W. Ferrell, who served as president for 13 years.

The insistence of the men on standardized procedures at warehouses allowed farmers to sell leaf with a minimum of confusion. The farmer was able to accomplish in a day a sale that had taken much longer in the past.

During the next 10 years, Danville began to grow, rising from the small town on the side of Dan River to a city of 7,500 residents. The rapid growth continued, boosting Danville's population to nearly 20,000 at the turn of the century. Most of these people were dependent on the tobacco trade for their livelihood. By 1884, Danville's boundaries contained 25 manufacturers of twist and plug tobacco, 73 "prizing" and brokers' houses, and three stripping and stemming establishments.

Set against the curve of the Dan River, the smell of leaf tobacco would fill the air as the gentle winds rolled down the side of White Oak Mountain. Floating round the river bend, a boater could see the tobacco establishments which covered more than a dozen city blocks.

The voice of hawkers would fill the streets as warehouses sought to get the grower to place his load on the floor. From the time that Ferrell assumed the presidency of the Danville Tobacco Association, the city held its grip on the tobacco industry. The Danville warehouses tripled their volume during Ferrell's term, from 10,621,557 pounds in 1869 to 35,503,121 in 1882. A full-time sales supervisor was hired in 1884 to look after the rapidly expanding market.

The U.S. government gave the city's auction system an unintentional boost in 1872 when it decreed that all farmers must report their sales and poundage for tax purposes. The legislation was approved by Congress on June 6, 1872 and Danville's Neal Brothers, who operated Planter's Warehouse, were quick to seize on another innovation of sorts. They offered the following aid to growers: "Any farmer selling at our warehouse, after the first of July next, need only carry home with him and preserve the statement of sales furnished by us, and he will be always prepared to answer the inquiries of the United States officials, promptly and with accuracy."

Further Refinements. The auction system in Danville continued a gradual process of refinement, responding to situations that continued to pose problems to growers and buyers. Most of these refinements grew out of disputes between all parties concerned.

The problem of incorrect weights continued to plague the warehouses, and in an effort to fix the responsibility, the Association decided in 1890 that each warehouse would have one weighmaster and no more than two assistants. As the weighing problem continued, the Association finally resolved to drop from the daily sales schedule any warehouses that refused to install automatic scales.

Another major change in the system came in 1896 with the introduction of the "coupon ticket system" in the local warehouses. As the middleman between seller and buyer, the warehouses were responsible for the tobacco from the time it entered the door until it went into the wagons that would carry it to the manufacturers. While all transactions were made in good faith, the warehousemen could never be sure that the tobacco would reach its destination once it left the sales floor. The coupon ticket system was actually a plan to protect the warehouses while insuring that the buyers received what they bought. The tickets provided the warehousemen with receipts for each pile of tobacco that was loaded for shipment to the manufacturing houses. Approval of the ticket system, however, proved to be a hard fight with the Association. The matter first came up in 1892 and was debated hotly in several meetings afterwards. It was not until 1896, four years later, that the system went into effect and proved satisfactory in checking the thievery.

Speed of Sales. As the volume of leaf moving on the warehouse floors increased, steps had to be taken to provide a fast sale that was fair to growers and buyers. The rate of sales in 1884 -- when more than 37 million pounds of tobacco were sold -- has been recorded at 150 piles per hour, or approximately 2½ piles a minute. The rate was to quicken considerably in years to come and the market currently operates sales at a rate of 400 piles per hour, or 6 and two-third piles per minute.

The piles that appeared on warehouse floors in 1884, however, could have been considered mountains by today's standards. Some of the piles weighed as much as 1,500 pounds -- five times as much as the maximum level of 300 pounds per pile which was set later.

The Association Chartered. While the Association kept up with whatever changes were demanded to further accommodate the sale of tobacco, the Association needed authority to enforce the regulations that permitted the smooth, uninterrupted sale of millions of pounds of tobacco. The Association sought a charter from the Virginia Assembly, which was granted March 3, 1888 in House Bill No. 247, and charged the Association with "encouraging, promoting and regulating the sale of leaf tobacco and trade therein in the city of Danville." The newly-chartered Association adopted a set of rules and bylaws, which have been modified as sales conditions changed.

The Lead and How to Hold It. At the turn of the century, Danville held the lead in the nation's tobacco markets. The city sold over 54 million pounds of tobacco in 1899, a figure that remained the top yearly poundage through 1920. Prices, however, were dismally low and the preceding year, 1898, showed that growers received an average of \$6.46 a hundredweight for their offerings. The figure was equal to the average for 1893 and both years represent the lowest prices ever paid in the recorded sales history of the market.

By the turn of the century, however, the "Danville System" was widely duplicated and the innovative system that had drawn attention earlier was becoming less a standard bearer and more the largest of many tobacco markets that had begun to spring up in the 80 by 150 mile Old Belt Market area.

The matter of which location was to be the largest sales center became a point of honor among warehousemen from Danville, who had claimed the honor for many years. Prices on the markets reflected the twists and turns of the nation's economy and when they were low in one market, they generally were low in all markets. But the size of the year's total sales volume was a topic sure to draw heated conversation among warehousemen in three cities -- Danville, Winston-Salem, N.C., and Wilson, N.C. -- and each locality hoped for a crop year that would throw it into the lead. Wilson wrested the lead from Danville in 1919 by virtue of the great expansion of tobacco production in the Sandhills area.

The Association realized that efforts must be taken to retain the trade that warehousemen had cultivated so carefully during the years. As other markets sprang up in nearby towns, the warehouses began to notice that some of the trade was being siphoned off. The Association's President, P. W. Ferrell, noted as early as 1881, that advertising was a valuable tool in boosting the market. He told the Association that year that "other markets are bidding strongly to induce planters in another direction. They have their agents, drummers and advertisements at every cross roads and at all public places. Let us see to it that we do not lose our reputation."

The Association first considered the idea of advertising the market's benefits at a 1904 meeting. Although the matter was argued over considerably at the meeting and during others, the Association never got around to appropriating money for advertising until 1926, when \$200 was earmarked for "letting the world know the facts." The next year the figure rose to \$350. The advertising budget grew regularly to a peak appropriation of \$16,500 in 1969, when the Association sought to raise funds for the Centennial. The current appropriation for May 1975 to April 1976 is \$14,500. The budget had come a long way since 1881, when there was \$1.40 in the treasury.

The warehousemen considered several ways to protect their interests and they were quick to see politics as a way to make themselves heard. The Association mounted a drive in 1908 to obtain good roads in the area by which farmers could more easily transport their leaf to market. They took a case to Congress in 1909 when they urged the U.S. to seek entry of American tobacco into Turkey. They also requested that Congress oppose a tobacco tax increase in Great Britain and at home.

The Association sought to gain extra sets of buyers for the sales to clear the sometimes glutted warehouse floors. The market was served by two sets of buyers in 1892, a situation which did little to alleviate crowded floors. A third set was instituted in 1894 and warehousemen unsuccessfully lobbied for a fourth set of buyers in 1914. The fourth set was not secured until 1922. In order to keep growers from going elsewhere, the market sought to gain still another set of buyers as tobacco yields began to increase. Floors were often crowded even after daily sales were finished at extremely large warehouses. Some sales could last for two days, causing farmers to remain in town extra amounts of time. Sales schedules were worked out which allowed farmers knowledge of the times their warehouses would be conducting sales.

The Association took strong stands against practices which it deemed unethical. One of these practices was "drumming" or making extravagant promises to farmers in order to obtain their trade. While the practice was not unlike the visits warehousemen had used when they were courting trade in the early market days, it appeared to be rapidly getting out of hand. Fines were initiated as early as 1878 which ranged from \$5 to \$50. Larger regulations were adopted for the practice, which were applied to all members of the Association. Other practices which drew frowns from the Association included rebates which were granted to prominent farmers who brought in large crops each year. Fines were set up in 1928 for any warehouseman caught giving rebates -- \$50 for the first instance and \$100 for each additional offense.

Smaller farmers received loans on their crops instead of rebates and this practice was frowned upon, although it was not prohibited by the Association statute. The business of loans apparently reached its high water mark in 1914, when it was attacked by both newspaper and banks. The press branded the practice as "mutually destructive to all concerned." Bankers refused to lend money to warehouses for further intense competition. Small leaf dealers also fired salvos at the loan and rebate practice. They noted that they could legitimately borrow money for their firms; the large-scale of the practice, however, left the warehouses little money to lend to the men who would have to buy part of the crop the warehouses sought so hard to bring under their roofs.

As the marketing system worked out the problems involved in keeping both buyer and seller honest, the warehouses also had to contend with the problem of how sales time was to be allotted. A century ago tobacco sales were conducted the year 'round, with some piles as small as 25 pounds on the auction floor. Whenever a farmer needed a little spare cash, he could usually sell some of the tobacco he had raised the summer before.

In 1888, warehouses held sales almost every day of the year. The market hours were 9 a.m. to 6 p.m., with an hour for lunch. Over the past 60 years, the tobacco sales season has been shortened into its current three-month period. In 1910, the sales season lasted from mid-August through late-June, or just before growers took to the field to begin harvesting another year's crop. As the sales season began to shrink from a year-round series of events, the warehouses became the focus of tremendous gluts on each market and to distribute the bulk of each year's crop it became necessary to limit sales time for individual warehouses.

Danville's problem was no different from any of the other markets that had sprung up across the tobacco-producing areas. The Sales Committee of the Danville Tobacco Association set about the task of determining the amount of sales time for each house in 1924. In the mid-1930's, a program [was adopted] of allotting sales time according to floor space, thereby favoring the larger warehouses such as Acree's which on occasion had two-day sales due to its huge sales floor. The floor space system remained in effect until 1963, when a court-ordered "modified experience system" was put into effect. This system remained in effect until 1968 when the "Danville Plan" for setting sales time was approved. The plan was to allot sales time according to poundage. The plan was a new wrinkle and it put the city's innovations once again before the tobacco industry. The

Danville Plan remained in effect through 1974, when the U.S. Department of Agriculture ordered an industry-wide sales system into effect that ended the association's quest for a fifth set of buyers.

No More Rivalry. The system required farmers to designate warehouses at which they would sell their crops during the fall season in order to remain eligible for price supports. Under the new system, each market would receive enough buyers and graders to sell the allotted tobacco poundage for a year.

Tobacco and National Economics. Very few things can upset a tobacco more than an economic slump which knocks his price down below a break-even point, and the Danville market has been forced to weather a good many of them. The Panic of 1893 dropped the market's average price per hundredweight of \$6.45. While the average was the lowest ever, the prices became stable and showed yearly increases through the end of World War I.

Cigarettes, Post-War Boom. The tobacco industry hit upon a new item during the First World War That item was the cigarette, destined to become the most popular product of the industry's history and to outsell all other tobacco products ever produced. The cigarette had been more a novelty than anything else until the war. The changing times and the acceptance of tobacco as something other than "the evil weed" prompted the switch to cigarette smoking from hewing or snuff-dipping.

The upshot in the popularity of the cigarette, coupled with the end of the war, brought a new high average to the Danville Market in 1917 of \$31.76 per hundredweight. Two years later, the average jumped to an unheard of price of \$55.40, a figure that held until 1955.

All-Time High Prices. The Danville Market, however, hit an all-time high in prices and in total money paid during the 1974 sales season. The city's warehouses sold 46,772,020 pounds of tobacco for \$50,078,908. The season not only marked the city's first \$50 million sales year -- and for the Old Belt as well -- but it saw the market's average surge over the dollar-a-pound mark with a hundredweight average of \$107.07. The average price showed an increase of \$18.16 per hundredweight over the 1973 sales season.

The 1975 sales season, however, saw prices dip. They did not go below the dollar-a-pound mark, but they dropped to \$101.45 a hundredweight. With the nation's inflation slowly winding up crop costs, farmers were left with barely more than break-even money when they left the warehouse with their money.

The Market this Year. This Bicentennial Year marks the 107th sales year of the Danville Tobacco Association. In its years of sales, the market has seen 4,744,445,404 pounds of tobacco sold for \$1,626,898,841. If those figures seem a trifle long, don't bother to count -- they're up in the billions. The lifetime average per hundredweight is \$34.29.

The Danville Tobacco Market is vigorous and healthy this year. Its nine member warehouses boast a total floor space of 1,750,000 square feet for sales. The warehouses are Acrees-Hollands, Big Sale, Motley's, Planter's, Neal's, Warren's, Virginia-Carolina, Piedmont, and Producers. The tobacco industry is an ever-changing business but the changes are relatively mild nowadays. The warehouses actually are fewer in number than they were at the turn of the century and only an occasional modification in the marketing system can throw the warehousemen into a panic. Danville is the location of three of the largest tobacco processing plants in the world and offices and prizeeries for six different tobacco purchasing companies.

While other industries have diversified, Danville's economy and the tobacco industry is no longer the mainstay of most of the city as in years long past, the golden leaf has carried Danville a long way. If ever there was a city born and raised on tobacco, then that city is Danville.

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