CERTAIN TOBACCO

Report to the President on
Investigation No. 22-47
Under Section 22 of the
Agricultural Adjustment Act

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Seeley G. Lodwick
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This report was prepared by:

David Coombs, Office of Investigations
William Lipovsky, Office of Industries
Wallace Fullerton, Office of Economics
Richard Laulor, Office of Investigations
Neil Cleary, Office of Investigations
Jack Simmons, Office of the General Counsel

Vera A. Libeau, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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REPORT TO THE PRESIDENT ON
INVESTIGATION NO. 22-47

CERTAIN TOBACCO

UNITED STATES INTERNATIONAL TRADE COMMISSION
February 15, 1985

Findings and recommendations

On the basis of the information developed in the course of the investigation, the Commission 1/ finds that flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the Tariff Schedules of the United States (TSUS), are not being or are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support and production adjustment assistance programs for tobacco of the U.S. Department of Agriculture (USDA).

Background

On September 10, 1984, the Commission received a letter from the President directing it to make an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) to determine whether flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, wherever classified in the TSUS, are practically certain to be imported under such conditions and in such quantities as to materially interfere with the

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1/ Commissioner Eckes dissents in part. Commissioner Eckes finds that flue-cured and burley tobacco, in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the TSUS are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support and production adjustment programs for tobacco of the U.S. Department of Agriculture (USDA). Commissioner Eckes recommends that the President proclaim a quota on imports of flue-cured tobacco of 64.4 million pounds per crop year (July 1-June 30, farm-sales weight) and a quota on imports of burley tobacco of 99.9 million pounds per crop year (October 1-September 30, farm-sales weight).

tobacco price support and production adjustment programs now conducted by the USDA.

Notice of the Commission's investigation was published in the Federal Register on October 11, 1984 (49 FR 39926). A public hearing was held in Washington, DC on January 3-4, 1985. All interested parties were afforded an opportunity to appear and to present information for consideration by the Commission.

This report is being furnished to the President in accordance with section 22(a) of the Agricultural Adjustment Act. The information in the report was obtained from responses to Commission questionnaires, from information presented at the public hearing, from interviews by members of the Commission's staff, from information provided by other Federal agencies, and from the Commission's files, submissions by the interested parties, and other sources.

STATEMENT OF CHAIRWOMAN PAULA STERN AND COMMISSIONER DAVID ROHR

I. INTRODUCTION

We have examined the condition of the USDA programs and the level of imports subject to this investigation. We have also analyzed the impact of these imports on the achievement of the goals these programs were designed to accomplish.

We have found that the U.S. flue-cured and burley programs are facing difficult problems. Loan stocks have increased, along with the costs to the Government and to the growers for maintaining them. As a consequence, marketings have fallen, along with quotas and acreage allotments. Price support levels have been frozen. We also found imports have increased but are likely to remain at their current level.

We did not find, however, the current or probable future level of imports to be more than marginally related to the condition of the USDA programs. Although imports increased, these increases did not affect in any material way the programs' goals concerning stable supply and prices, the maintenance of grower income and the operation of the programs at a reasonable cost.

II. STANDARDS FOR OUR DETERMINATION

Section 22 of the Agricultural Adjustment Act (AAA) provides—

> (a) Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this chapter or the Soil Conservation and Domestic Allotment Act, as amended, or section 612c of this title, or any loan, purchase, or other program or operation undertaken by

> the Department of Agriculture, or any agency operating under its direction with respect to any agricultural commodity or product thereof, . . . he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States International Trade Commission, which shall give precedence to investigations under this section to determine such facts . . . . 7 U.S.C. § 624(a).

The purpose of this provision, as reflected in the Congressional debates surrounding its initial enactment in 1935, was to insulate the U.S. farm economy from the effects of international trade in agricultural commodities. Specifically, the Agricultural Adjustment Act of 1933 had established a system of production and marketing controls and parity prices designed to raise the price farmers received for their crops. However, to the extent that it was desirable to have a U.S. price above the world price of a particular commodity, it was recognized that imports (at the lower world price) would prevent farmers from obtaining the price which the programs were designed to achieve. 1/ In such a system imports could be seen to "materially interfere" or "render ineffective" a program to the extent that imports could be causally linked to the fact that actual prices received by farmers were below those which the program was intended to establish. 2/

Over time, however, the goals and mechanisms of the agricultural programs that section 22 is designed to protect have multiplied. It is not possible simply to define interference as a difference in price and to identify the

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1/ Section 22 was added to the Agricultural Adjustment Act of 1933 in 1935. Pub. L. 320, c. 641, title I, § 31, 49 Stat. 750, 773 (Aug. 24, 1935). It was reenacted in 1937. Pub. L. 137, c. 296, § 1, 50 Stat. 246 (June 3, 1937). The phrase "or are practically certain to be" was added in 1940. Pub. L. 406, c. 13, 54 Stat. 17 (Jan. 1, 1940). There have been subsequent changes to the language of section 22, but none have changed its essential provisions.

2/ H.R. Rep. No. 1241, 74th Cong., 1st Sess. 21 (1935).

degree of that interference by the amount of that difference. The Commission's analysis, by necessity, has become more complex.

First, as we stated in our 1981 Tobacco decision, the standard of material interference is lower than the standard of "render ineffective." 3/ Further, the threshold of material interference under section 22 is not high, but does require more than mere incidental impact. As the Commission majority stated in the 1981 Tobacco decision, such interference is "more than slight . . . but less than major." 4/ Moreover, the use of "practically certain" in section 22 means that both the imports and harm to the program related to such imports must be real and imminent. There must be a high probability that the commodity will be imported and that the importation will result in harm to the program. 5/

Second, the analysis implicit in our 1981 decision is that interference can be defined in terms of the goals of the tobacco program rather than solely in terms of the mechanisms by which those goals are achieved. One cannot, for example, merely look at changes in allotments or loan stocks and conclude that the programs are being materially interfered with. Rather, we must look at whether imports are interfering with how the allotments and loans stocks are changing to accomplish the goals for which they were established. We also

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3/ The finding that imports do not "materially interfere" with a program, therefore, implies a finding that such imports do not render ineffective such a program. As the Commission majority stated in Certain Tobacco, supra, at 3, "[a] program which has been rendered ineffective has also suffered material interference, although the reverse may not be true."

4/ Certain Tobacco, Inv. No. 22-43, USITC Pub. 1174 at 3 (1974) (Certain Tobacco). Accord: Casein, Mixtures in Chief Value of Casein, and Lactalbumin, Inv. No. 22-44, USITC Pub. 1217 at 3 (1982); Sugar, Inv. No. 22-45, USITC Pub. 1253 at 7 (1982); Certain Articles Containing Sugar, Inv. No. 22-46, USITC Pub. 1462 at 30, n.11 (1983).

5/ See 1981 Tobacco Decision, Statement of Chairman Bill Alberger, Vice Chairman Michael Calhoun, and Commissioner Paula Stern at 3-4.

recognize that the goals of the programs are interrelated in many ways. For example, policies affecting loan stocks may have an "adverse" effect on allotments, and policies to promote exports may have an "adverse" effect on loan stocks.

We note that our role in these investigations is a limited one. We are not called upon to judge the wisdom of a particular commodity program or to propose changes to it. That is the task of Congress. Nor is our role to facilitate or criticize USDA's administration of the programs. That, too, is for Congress to do. We take the programs and USDA's administration of them as we find them.

Our task is to determine whether foreign tobacco is being or is practically certain to be imported under such conditions and in such quantities as to materially interfere with those programs. In so doing, we must determine whether a program is materially interfered with to the requisite degree by imports. This requires an analysis of the volume and prices of imports, and any other relevant factors (for example, changes in the quality of imports). We must then evaluate the impact of those imports on the agricultural program at issue. 6/

6/ In our analysis, it is not our task to weigh various causes of possible material interference or to determine how important imports are vis-a-vis other causes of such possible interference. Compare 19 U.S.C. § 2251. However, our analysis cannot be accomplished in a vacuum and we must be cognizant of other factors in the market which may be adversely affecting these programs.

Nothing in section 22 or the various tobacco program statutes suggests, let alone requires, that we differentiate between operational goals and financial goals or that we limit our analysis to the financial and/or operational impact of imports on the Federal Government. Accordingly, we believe that in analyzing material interference with a program, the word "program" must be read broadly, to include all congressional objectives. This conclusion is buttressed by the scheme of enactment of the tobacco support statutes and their legislative histories.

III. THE CONDITION OF THE USDA TOBACCO PROGRAMS

The basic mechanisms through which the tobacco programs operate remain substantially as the Commission described them in its August 1981 report. 7/ The programs are administered through the use of acreage allotments, marketing quotas and a price support system. The price support system operates through an administratively established price support level, nonrecourse loans made to growers at that level, and the use of loan stocks. However, the No Net Cost Tobacco Program adopted by Congress in 1982 has added a new dimension to the programs. Now, in order for a particular type of tobacco to be eligible for a price support program, costs of the program must be absorbed by the growers. 8/

Thus, the mechanisms of the "program," and the elements we look at to determine the existence or absence of material interference includes those examined in the previous investigation--the level of stocks, production and acreage allotments, price support levels and costs to the program. However, our analysis of "costs to the program" has now been expanded to include both costs incurred by the government ("Stabilization") previous to the 1982 crop and those costs incurred by the growers in the form of assessments after 1982. 9/

7/ Discussion concerning the specific operation of the program will be limited to changes in their operation since our previous investigation. See Certain Tobacco, Inv. No. 22-43, USITC Pub. 1174 (1981). For a complete description of the programs' operation, see Report of the Commission (Report) at A-10-A-24.

8/ This includes all costs of the particular program except USDA administrative expenses.

9/ We were not persuaded by the argument of respondents LTEA and TAUS that the Commission should not consider stabilization losses which resulted from unmanageable loan stocks prior to 1980. The financial projections supplied by respondents and considered by the Commission regarding pre-1980 crops did not prove to be accurate, and the Commission is not precluded from considering the actual losses which occurred. We agree, however, that the focus of our analysis of the financial state of the programs is properly in the most recent period.

A. Flue-Cured Tobacco

Production and stocks. Production (marketings) of flue-cured tobacco increased steadily in 1979-81 and dropped in 1982-84. 10/ This drop in production mirrored the decline in cigarette production, the principle use of flue-cured tobacco, which has fallen more since 1982 than its increase in the previous eight years. 11/

Loan stocks have increased to relatively high levels in 1983 and 1984, reaching almost 800 million pounds after dropping to 518 million pounds in 1982. 12/ Total stocks, however, have been relatively stable since 1979--- ranging from 2 billion pounds through 1981, to 2.2 billion pounds in 1983. Total stocks are estimated to decline to slightly over 2 billion pounds in 1984 and 1985. 13/ In 1982, the amount of the domestic crop placed under loan reached its highest level since 1976. 14/ While still comparatively high, the amount of domestic crop placed under loan has shown a declining trend in the 1983 and 1984 crop years, 15/ dropping almost in half in 1984 from 260 million pounds to 159 million pounds.

Acreage allotments/marketing quotas. Domestic tobacco production is controlled by marketing quotas and, in the case of flue-cured tobacco, by

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10/ Production increased from 945.8 million pounds in 1979 to 1144.3 million pounds in 1981, then fell to 993.8 million pounds in 1983. Marketings are estimated to be 854.8 million pounds in 1984.

11/ See Report at Table 16.

12/ Loan stocks increased from 519 million pounds in 1982, to 688 million pounds in 1983, to 798 million pounds in 1984.

13/ Report at A-44.

14/ The share of domestic crop under loan fell from 12.7 percent in 1980 to 9.4 percent in 1981, and the increased to 26.2 percent in 1982. Id. at Table 21 and Table 46.

15/ In 1983, the share of domestic crop under loan was 22.9 percent, and in 1984, 18.8 percent. Id. at Table 21.

acreage allotments as well. 16/ The basic marketing quota for flue-cured tobacco declined throughout the period under investigation, from 1,013 million pounds in crop year 1981 to 775 million pounds in crop year 1984. The effective quota (allowing for overproduction) fell by 22 percent between 1979 and 1984. During this period, acreage allotments also fell by 28 percent from 563,000 acres to 390,000 acres. 17/

Price support level. The average support price for flue-cured tobacco increased from 141.5 cents per pound in crop year 1980 to 169.9 cents per pound in 1982. It has been frozen at that level since that time, and is not likely to be changed in 1985. Over the same period, the actual market price per pound received for flue-cured tobacco increased from 144.5 cents per pound to 178.5 cents per pound, and has increased to 181.0 cents per pound since the 1982 price support freeze.

Stabilization losses and grower assessments. USDA estimates losses to Stabilization for the 1976-81 crop year inventories to be as high as $450 million. 18/ This amount could increase if discount programs recently instituted by USDA are unsuccessful in moving more flue-cured tobacco loan stocks. Grower assessments have risen from 3 cents in 1982 to 7 cents in 1983

16/ The Secretary determines and announces the marketing quotas and acreage allotments each year, based on a statistical formula that takes into account such factors as anticipated demand and prior year production. Because of adjustments, actual marketings may vary significantly from tobacco quotas. The calculation of the quotas and adjustments to the quotas are described in the Report at A-12.

17/ Report at A-17.

18/ Id. However, it should be noted that the 1977 crop was of poor quality and that a significant portion of this crop was taken into loan stocks at the existing price level. Approximately 100 million pounds remain in the loan stocks. See Memorandum to the Commission from the Director of Investigations, INV-I-021, Jan. 28, 1985.

and 1984. The Flue-Cured Stabilization Board has recommended an assessment rate of 25 cents per pound in 1985. 19/

B. Burley Tobacco

Production and stocks. Production of burley increased steadily from 446 million pounds in 1979 to 778 million pounds in 1982 and declined only in 1983, due to a poor crop. Marketings in 1984 are estimated to rebound to 700 million pounds. 20/

While domestic stocks of imported burley tobacco rose in steady increments until 1982, and remain at that approximate level in 1984 21/ virtually none of the domestic crop was placed under loan during 1980 and 1981. 22/ In 1982, a large percentage was placed under loan--34.8 percent--and that amount increased in 1983 to 48.5 percent. 23/ In 1984, however, the portion of the domestic crop placed under loan was 26.5 percent, lower than the 1982 level.

Unlike the case of flue-cured tobacco, total stocks have experienced an irregular increase. Total stocks of domestic burley were 1.2 billion pounds in 1979, 1.0 billion pounds in 1981, and 1.3 billion pounds in 1984, and are estimated at 1.5 billion pounds in 1985. 24/

19/ Report at A-17. Respondents pointed out that grower assessments in 1982 and 1983 did not take into account the relatively high level of the domestic crop under loan during those years. Thus, the dramatic increase in assessment levels in 1984 is at least partially attributable to prior years carryover stocks.

20/ Production increased from 446 million pounds in 1979 to 777 million pounds in 1982, and declined to 527 million pounds in 1983. In 1984, production is expected to recover to 730 million pounds.

21/ See Report at Table 22.

22/ In 1979, only 1.5 percent of the U.S. burley crop was placed under loan.

23/ Report at Table 21.

24/ Id. at A-48 and Table 23.

Marketing quotas. The effective marketing quota for burley tobacco rose approximately 23 percent from 648 million pounds to 842 million pounds between 1979 and 1981, and then suddenly declined by 17 percent to 697 million pounds in 1984. 25/

Price support level. The support price for burley tobacco increased from 133.3 cents per pound in 1980 to 175.1 cents per pound in 1982. It has remained at that level through 1984. Actual average market prices per pound also increased from 145.2 cents per pound to 181.0 cents per pound. Over the period of the frozen support price the market price for burley tobacco increased from 181.0 cents per pound to 187.6 cents per pound.

Losses to stabilization and grower assessments. USDA estimates losses of about $344,000 in its liquidation of 1981 inventory. 26/ Grower assessments have increased from 1 cent per pound in 1982 to 9 cents per pound in 1984. USDA now estimates losses in excess of $500 million on 1983 crop inventories, which will result in increased assessments, paid by growers. USDA has stated that an assessment fee of at least 20 cents per pound will be necessary in 1985 just to cover carrying costs from the 1982-84 crops. 27/

IV. TOBACCO IMPORTS

In our analysis of import trends, we have considered the level of imports over the past ten years. We have, however, focused primarily on the period from 1981 to the present, with emphasis on 1982 and subsequent crop years. We felt this was appropriate for several reasons.

25/ Id. at A-17. The burley marketing quota rose from 648 million pounds in 1979 to 842 million pounds in 1981, and then fell to 697 million pounds in 1984.

26/ Report at A-18.

27/ Id.

First, although the Farm Bureau and USDA highlighted the upward trend in imports since 1974, our determination must reflect our findings concerning the current import level and the level of imports which is "practically certain" to exist in the immediate future. Second, although we have analyzed the information before us on a de novo basis, it is significant that the Commission did not find the level of imports in 1981 to be causally linked to any material interference experienced by the programs at that time. Third, Congress comprehensively reviewed the tobacco programs in 1981 in establishing the No Net Cost Tobacco Program. The significant changes to the program at that time necessitate a more recent focus.

Several factors further complicated our analysis of the level of imports. First, there is no official Census Bureau data on tobacco subject to this investigation prior to July 1984. Second, most of the imports subject to this investigation are classified for import purposes within "basket" items of the U.S. tariff schedules. Import data for flue-cured, burley and other types of tobacco are only available by estimating the portion of total imports accounted for by these types of tobacco. Third, in August 1983 flue-cured and burley tobaccos were reclassified to another tariff item carrying a higher rate of duty. Consequently, in order to avoid the duty increase, prior to that date tobacco manufacturers and other importers withdrew large quantities of imported tobacco from bonded warehouses and placed them in non-bonded inventories. During August 1983, five times more tobacco entered than in any other average monthly period. Most of these imports remained in inventory and were not actually consumed. While this fact is clear, it is nevertheless very difficult to estimate how many of these imports remain in stocks and how many have actually entered the marketplace.

Fourth, attempts to "normalize" that one month of data contributed to a variety of import statistics. Two sets of data were brought to the attention of the Commission which indicated different import trends in the most recent period. 28/ The ERS data series (relied on by respondents) allocated the August 1983 "blip" into the future, expecting that imports for consumption would be lower until the August 1983 stock was actually consumed. The FAS series (relied on by the Farm Bureau and USDA), on the other hand, made no such allocation, treating these imports as if they would be consumed during the crop year in which they actually entered (1982 in the case of burley tobacco and 1983 in the case of flue-cured). We have considered both sets of data in our analysis of import trends and their effect on the USDA tobacco programs.

Use of either data series reveals an increasing overall trend for flue-cured imports. 29/ However, while the increase of 40 to 50 million pounds was significant relative to previous import levels, it was marginal compared to the 3 billion pounds of domestic tobacco in loan stocks and the projected annual production level of the domestic crop. Also, flue-cured imports are projected to decline in 1984 according to FAS data, from their overstated 1983 level of 155 million pounds to 102.5 million pounds. As a percentage of total tobacco subject to the USDA flue cured program, flue-cured imports have fluctuated between 8 percent in 1980 and 17 percent in 1983 and then declined to 11 percent in 1984.

28/ The Farm Bureau and USDA relied on data prepared by the Foreign Agricultural Service (FAS), USDA. The parties in opposition to relief instead relied on a series supplied by the Economic Research Service (ERS) of USDA. In our view both sets of data have their own strengths and weaknesses. These are described in a memorandum from the Office of Investigations, INV-I-023, Jan. 29, 1985.

29/ Flue-cured imports decreased between 1979 and 1981.

Burley tobacco imports have remained stable with the exception of the 1982 crop year, when imports were high due to the tariff reclassification. If this aberrational crop year is averaged over the period since 1981, imports have increased slightly to 134 million pounds a year. Yet the trend of burley imports seems to be one of slow decline, as indicated by the estimate of 1984 imports at 100 million pounds. Imports as a percentage of all tobacco subject to the USDA burley program has fluctuated from 17 percent in 1981 to 39 percent in 1982. In 1984, burley imports are projected to be 18.5 percent of domestic burley tobacco subject to the USDA program.

Regarding imports which are "practically certain" to enter the U.S. market, both the FAS and ERS data series show that imports are declining. This calls into question any projection of imports based on the tariff reclassification. Furthermore, if USDA aggregate global general import data of all unmanufactured tobacco to the U.S. market are examined in an effort to "look above" data problems presented by the tariff reclassification problem, the trend for total imports is clearly down. Although total tobacco imports increased through the 1982 crop year, 1983 and 1984 USDA estimates show considerable declines in each year. 30/

V. THE QUESTION OF HARM TO THE PROGRAM

Our inquiry must now be directed to whether imports have prevented the accomplishment of the objectives of the USDA tobacco programs and, if so, whether to a significant or material degree.

These objectives, as established by statute and legislative history, are:

1. The provision of adequate and orderly supplies of tobacco for domestic consumption and for export;

30/ Report at Table 42.

2. The maintenance of adequate and stable tobacco prices;

3. The maintenance of farm income; and

4. The operation of the program at a reasonable cost (after 1981 at no net cost to the government).

Clearly, these goals are not independent of one another. Farm income is, in large part, derivative of the price of tobacco, the amount of tobacco farmers are permitted to market, and the cost (in the form of assessments) of maintaining the loan stocks. Similarly, loan stocks are both an element of supply and the major component of the programs' cost.

A. Flue Cured Tobacco

Supply

The total domestic supply of flue-cured tobacco has remained relatively constant over the last ten years, between 3 billion pounds and 3.25 billion pounds, less than a 10 percent change. However, aggregate total supply may not reflect the impact of imports on various components of the program. Thus, we have examined specific elements of supply.

Loan stocks have increased substantially since 1980, particularly since 1982. The question is whether imports have played a material role in the increase of these stocks. We cannot ignore three compelling facts. The first is that while loan stocks have indeed increased, inventories held by manufactures and others have fallen. 31/ Second, total stocks have remained constant and have actually begun to fall. 32/ It appears then that loan

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31/ The relationship between declining flue-cured manufacturers' and dealers' tobacco inventories and increasing loan stocks in recent years is indicated in the following figures.

	Inventories	Stocks
1982	1.6 billion	.518
1983	1.5 billion	.688
1984	1.3 billion	.798

32/ See discussion at 8, supra, and Table 21.

stocks have begun to function as manufacturers and dealers' inventories. 33/ Third, the increase in imports is slight relative to both loan stocks and dealers' and manufacturers' inventories. 34/

Another element of supply is the amount of tobacco marketed each year, which is related to the annual acreage allotments set by USDA. Acreage allotments have fallen steadily over the last ten years--by approximately 150,000 acres between 1975 and 1980 and by a further 150,000 acres between 1980 and 1984. Actual marketings are also down, although this decline is less drastic because of increases in yields per acre. This recent decline in yearly acreage allotments and marketing quotas appears to be most directly related to the decline in demand for flue-cured tobacco.

Domestic consumption of U.S.-grown flue-cured tobacco fell steadily between 1979 and 1983 from 563 million pounds to 442 million pounds, and is estimated to decrease further in 1984 to 435 million pounds. 35/ Domestic cigarette consumption and production have also declined steadily since 1981. 36/ During the period 1979-83, one-third of the domestic crop consisted of exports. 37/ The bulk of these exports is flue-cured tobacco. 38/ Although

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33/ It is easy to see why manufacturers would do this. First, by reducing their inventories they are reducing their own costs of doing business. Further, the reduction in the inflation rate makes new tobacco cheaper than old, thus reducing the incentive to obtain the older tobacco held in the loan stocks.

34/ Total flue-cured imports are small compared to close to 1 billion pounds of domestic flue-cured tobacco consumed annually, more than 2 billion pounds contained in stocks and more than 3 billion pounds of annual supplies.

35/ One factor in the general decline of flue cured consumption is the increased popularity of low-tar cigarettes. Cigarette manufacturers have also become more efficient in their use of tobacco; the quantity of tobacco required to produce 1,000 cigarettes declined irregularly between 1974 and 1983. See Report at A-35.

36/ Report at Table 16.

37/ Id. at A-51.

38/ Id. at A-53.

exports of flue cured tobacco increased from 1979 to 1980, they steadily declined thereafter in 1982 and 1983. 39/

This decline in both domestic and world consumption has increased the burden of the current level of stocks. While these stocks have not increased absolutely as noted above, they have increased relative to consumption. This relationship between stocks and consumption is important because it is central to USDA's calculation of marketing allocations.

In light of the decline in domestic marketings and considerable reduction in exports, the recent increase in imports does not appear to have materially affected supply. 40/ Assuming a high degree of substitutability of domestic tobacco for imported tobacco, our analysis indicates that while the current high level of loan stocks would have been reduced had imports remained at their 1981 level, relative to the overall level of the loan stocks, this reduction is slight and would not have significantly relieved the existing liability. 41/ Yet the assumption that domestic tobacco in the loan stock

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39/ Id. at Table 28.

40/ "Supply" as translated into allotment levels by the USDA, is driven by inventory and loan stock levels, projected domestic consumption of tobacco, and projected exports of that type of tobacco. The USDA targets the sum of loan stocks and inventories at approximately 2.5 times domestic annual consumption.

41/ Memorandum to the Commission, INV-I-021, Jan. 28, 1985. The conclusion that imports had a more significant impact on the loan stock level is based on a straight "shift-share" analysis. While this type of analysis can be useful insofar as it is one tool which can be used to quantify and rank causes of injury, in this particular case it suffered from several drawbacks. First, there were important qualitative factors in this investigation (bad crop years and the tariff reclassification, for example) which could not be taken into account by a shift-share analysis. A related problem is that "shift share" tends to aggregate causes of injury by including the nonquantifiable effects in the ones that are quantifiable. Third, this analysis only asks how much loan stocks would have changed in recent years if imports had not increased. It does not ask, or incorporate, the questions of how much loan stocks would have changed if exports had not declined and if consumption had not declined. Fourth, the results of such an analysis are entirely dependent on the time period chosen to measure the increase and relies on the assumption that there is one-for-one substitution between imported and domestic tobacco.

is completely substitutable for imported tobacco is doubtful. 42/ Any assumption of less than full substitutability results in a finding that the role of imports in the current oversupply situation is at best incidental.

Price

A second goal with which imports may arguably interfere is the maintenance of an adequate price for flue-cured tobacco. There are two prices relevant to tobacco producers. The first is the price support level, the government supported minimum price. This is a price established by the USDA pursuant to a statutorily required formula. Over the last three years this price has been frozen because of explicit congressional action. Imports can play virtually no role in this price.

The second price is the market price for flue-cured tobacco which reflects actual sales above the minimum support price. Since 1975 this price has averaged $.08 above the support price, and in each year since 1981 the margin between the support price and the market price has widened. In 1984, the market price was $.11 above the support price, the highest level since 1979, 43/ despite the fact that the support price has been frozen since 1982. There is, therefore, no basis to conclude that imports have had any material effect on prices.

Farm Income

A third goal of the tobacco program is the maintenance of farm income. Although it is difficult to measure farm income, the indicators which we have

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42/ The failure to dispose of appreciable amounts of flue-cured tobacco in the loan stock despite considerable discounts, gives strong indication of inferior tobacco in the loan stock which may have very limited substitution potential. [The discount offered was a 2-pound no-net-cost inventory to 1-pound pre-no-net-cost stock tobacco, including a 10 percent discount on the no-net-cost tobacco and discounts from 50 to 100 percent on the pre-no-net cost intentory.]

43/ Report at A-83.

available do not reveal any material interference by imports in the achievement of this goal. According to USDA figures, the difference between prices and costs has fluctuated above the 1980 level and is now about the same level it was in 1980. 44/ Average income excluding management, land and quota costs rose 35.6 percent between 1980-1984. However, we are cognizant of the problems of not taking these costs into account. Yet, flue-cured grower income after land, management and quota costs since 1982 has fluctuated, not declined. Moreover, these figures show that grower income after land, management and quota costs was highest in 1982 and 1984--years when imports were relatively high. 45/ The ratio of income to price has followed the same fluctuating trend--rising significantly between 1980 and 1981, falling to its original level in 1980, and then increasing slightly in 1984. 46/ We, therefore, find no basis for concluding that imports have materially interfered with the maintenance of farm income of the flue-cured tobacco farmers.

Cost

The final goal of the program is that the program be operated at a reasonable cost, and, after 1981, that the program be operated at no net cost to the Government. The principal cost of the flue-cured tobacco program related to the operation of the price support system is a function of the costs of operating the loan stock system. These costs are based on the carrying costs of the loan stock inventory and on the eventual price received for the tobacco in the stocks.

44/ USDA Post H. Submission at Table 1.

45/ In 1982, income was 29 cents per pound, fell to 18 cents per pound in 1983 and then increased to 24 cents per pound in 1984. Report at Table 12.

46/ The ratio of income to price including land, management, and quota costs rose from 10.3 percent in 1980 to 16.9 percent in 1981, fell to 10 percent in 1983 and then increased to 13.3 percent in 1984. Id.

The carrying costs of the stocks is first a function of the size of the loan stocks, which, as noted above, have increased. However, we have found that the quantity of tobacco in the loan stocks is minimally related to imports. Further, while the cost of maintaining the stocks has increased, this increase is directly related to factors other than any periodic increases in imports.

First, interest expenses have increased considerably. Interest is now being charged at the prevailing published Treasury rate adjusted quarterly. 47/ Second, principal amounts are now amortized consistent with generally accepted accounting practices. 48/ This change has resulted in higher repayment requirements.

Third, the combination of rising support prices and inflation no longer works to the advantage of tobacco growers. A higher rate of inflation and annual support price levels used to increase the value of the loan stock inventory. These increases greatly offset processing and finance charges associated with the loan stock. Now the interest and storage expenses must be recovered through higher grower assessments. All of these factors contribute to the fact that old tobacco is more expensive than new tobacco.

Thus, the increasing cost of maintaining the loan stocks is only marginally related to imports. We cannot, therefore, conclude that imports are materially interfering with either part of the costs of the program.

47/ Previously, interest rates were set at a fixed flat rate, which were significantly below market rates. This, in effect, resulted in an "inventory subsidy" which contributed to increased stocks prior to 1981.

48/ Previously, as payments were made against the loan stock liability, those payments were credited to the outstanding principal first, then to the interest.

B. Burley Tobacco

Supplies

Total supplies of burley tobacco have remained essentially stable over the last 10 years, although USDA projects a 10 percent increase in the total supply of domestic burley in 1984. However, the percent of the domestic burley crop under loan has increased from virtually nonexistent levels in 1979 through 1981 to as high as 48.5 percent in 1982. Shifts from manufacturers stock to loan stocks explain very little of the increase in the loan stocks, unlike the case of flue-cured tobacco. However, imports explain even less. In 1980, when imports were relatively high, loan stocks of domestic burley tobacco were nonexistent. In 1981, imports fell and loan stocks appeared, although at an extremely low level. In 1982 imports and loan stocks increased, but this was due to the tariff reclassification problem discussed above. In 1983, imports dropped significantly and stocks increased significantly. In 1984 imports remained at the same level and stocks dropped. 49/

At the same time, acreage harvested and the marketing of burley tobacco are not only stable but slightly increasing. This increase, combined with the recent decline in demand, the problems related with the tariff reclassification, and most importantly, the poor quality of the 1983 burley crop, is responsible for the lion's share of the increase in stocks.

There is therefore little basis for concluding that imports have had a significant impact on supplies of burley and even less for concluding that probable future levels of burley imports, which appear to be stable or declining, will have such an effect in the future.

49/ Report at A-66 and A-44.

Price

As with flue-cured tobacco, both the support price and average price per pound of burley tobacco have increased substantially over the last 10 years. However, in the case of burley tobacco, there is no discernible trend in the margin between these two prices. As with flue-cured tobacco, both the support price and average price per pound of burley tobacco have experienced major increases over the course of the last 10 years. These increases (and declines) are unrelated to import levels. Since 1982 the margin between the market and support price has been above 11 cents, with the exception of the drought year of 1983, when both quality and yield were low. 50/

Income

The basic indicators of farm income available to the Commission do not provide any basis to conclude that imports are materially interfering with the program goal of maintaining the income of burley farmers. Burley income after land, management and quota costs, increased steadily and was at its highest level in 1982, when imports were high. Between 1976 and 1982 prices rose 60 percent while costs rose 40 percent. Acreage income is stable (excluding the bad crop year of 1983). However, it is clear that the projected future levels of assessments will have a substantial impact on grower income. 51/

However, this increase in the assessment level is unrelated to the import level, as we discuss below. We cannot conclude that imports are having a material impact on grower incomes and then are not materially interfering with the program objective of maintaining grower income.

50/ Footnote at Table 47.
51/ Assuming growers are to bear the entire cost of the assessment.

Costs

The costs of the burley program to the government before 1982 and to the growers since then is, as in the case of flue-cured, a function of the carrying costs of the loan stock inventory and the eventual price received for the tobacco in the stocks. Factors such as changes in interest rates used by Stabilization, frozen support prices and the dimunition of inflation have worked to increase the carrying costs of stocks of burley tobacco as well. Burley growers, like flue-cured growers, have been forced to assume these increased costs in the form of assessments.

In the case of burley tobacco, however, there is an additional factor. All parties acknowledge that because of the poor 1983 harvest the quality of the stocks is inferior. 52/ Not only is the burley tobacco in the loan stocks more expensive than new tobacco, it is generally of lower quality. Thus, particularly in the case of burley tobacco, one cannot assume a one-for-one substitution for loan stocks and imports. Moreover, even if one does assume this complete substitutability, the increase in imports in 1983--the only year when imports were above their average 100 million pounds--seems to have had no appreciable effect on the loan stock level. 53/

Although growers' assessments have increased from 1 cent per pound in 1982 to 9 cents per pound in 1984, and will increase in 1985 to at least 20 cents per pound, we find that these increases are at most marginally related to imports. Therefore, we do not find that imports have materially interfered with the program's objective that it be operated at a reasonable cost.

52/ See n.40, supra. Also, staff discussions with R.J. Reynolds Tobacco Co., The Burley Tobacco Cooperative Stabilization Corp., the USDA and all hearing testimony support the assertion that the drought damaged burley crop is of inferior quality.

53/ Memorandum to Commission, INV-I-021, Jan. 28, 1985.

C. Other Tobaccos

The other types of tobacco subject to this investigation include fire-cured tobacco and dark-air cured tobacco, including cigar binder and filler. With respect to fire-cured and basic dark-air cured tobaccos (excluding cigar binder and filler) USDA has stated that there is no convincing evidence that imports are materially interfering with its programs. We agree with USDA.

Domestic production of both types of tobacco have remained stable or increased. Neither loan stocks nor the average percentage of annual crop placed under loan has increased substantially. Price support levels, while frozen since 1982, increased significantly prior to that time. The market price for tobacco has also increased steadily, with the exception of 1983, which was a poor year for tobacco throughout the country.

More importantly, however, the level of imports in each category is very small and the trend is clearly declining. There is therefore little evidence that the goals of these programs are not being achieved and even less that imports are having any material impact on the program.

USDA has stated, on the other hand, that certain types of imported dark-air cured tobacco "may be interfering" with USDA cigar filler and binder programs. We cannot agree with this assessment. Until 1982, imports of these tobaccos fluctuated without any discernible trend. Increased imports in 1983 and 1984 are largely attributable to the Caribbean Basin Initiative. And, USDA reports that by July 1984 imports had returned to their pre-CBI level.

It must be recognized that the majority of domestic production directly competitive with these imports is not subject to the USDA programs. Also, imported cigar filler and binder is not competitive with domestic cigar filler

and binder. These imports are generally more expensive and there are important differences in taste and quality. 54/ Production, total supply, loan stocks, domestic disappearance, and exports all exhibit declining trends which reflect decreased consumption of these tobaccos. Nevertheless, prices have been stable, remaining substantially above the support level and enabling growers to market their tobacco profitably. 55/ The evidence does not support the conclusion that imports of these categories of tobacco are having any substantial effect on the USDA programs and therefore we are unable to determine that imports are materially interfering with these programs.

54/ Transcript at 301-02, 305, 308-09, and 312-13.

55/ One Connecticut grower said prices had increased 20 cents in 1984 alone. Transcript at 295.

Statement of Vice-Chairman Liebeler

I am in general agreement with Commissioner Lodwick and the analysis he provides. These additional views are offered as further clarification on two of the issues before the Commission: (1) the level of imports sufficient to constitute material interference; and (2) the meaning of an orderly, adequate, and balanced supply of tobacco.

(1) THE LEVEL OF IMPORTS

Section 22 of the Agricultural Adjustment Act requires that the Commission determine whether certain kinds of tobacco "are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with," the various Department of Agriculture price support, acreage allotment, and stockpiling programs.

The role of the Commission is a limited one; it is not to facilitate the Department of Agriculture's administration of its programs. A restriction on imports will always have the effect of restricting the supply to the market and thereby raising prices. Such a rise in prices is likely to inure to the benefit of the growers intended to be helped by the program. Our role is not to recommend a restriction in imports every time a USDA program could be helped by such a restriction. Rather the role of the Commission is to determine whether imports are materially interfering with those programs. The appropriate concern of the

Commission is the quantity of imports and the condition under which they are being imported, e.g. their price or quality.

Congress last dealt with the tobacco support program in 1982 when it enacted the no-net cost program. Although Congress had it within its power to restrict the importation of tobacco at that time, it chose not to do so. Congress was cognizant of the quantity, quality and price of imports entering the United States at that time. It made those changes in the program it believed necessary to fulfill the statutory goals. If the program was capable at the time of achieving its goals, any failure of the program to meet those goals must reflect a change in the relevant circumstances since the enactment of no-net-cost. Only those changed circumstances may be said to be interfering with the achievement of the goals of the program. Thus a threshold question is whether there has been any change in imports that can constitute an interference with the program.

This is a very different question from that of whether USDA's administration of this program would be facilitated if imports were significantly below current levels. If the level and condition of imports are essentially the same now as they were when Congress enacted the no-net-cost program, it is not possible for imports to be materially interfering with the program. If the program is failing to meet its goals, the explanation must lie elsewhere. Either the program as designed is not capable of meeting its stated goals, or some other

circumstance has changed which prevents the achievement of those goals. Therefore I have adopted as a threshold test for material interference that I must find that imports are not entering at or near the level or under the same basic conditions as they were when Congress last reviewed and legislatively revised the program and are not expected to enter at inordinately high levels or under substantially different conditions in the near future. It is incumbent upon the Commission to assume that the level and condition of imports at the time of the last legislative change were within the contemplation of Congress, and therefore can not constitute a material interference with the program unless Congress indicates otherwise.

BURLEY

Imports of Burley tobacco fell in 1983 to 107.2 million pounds, and again in 1984 to 100.0 million pounds, from a high of 223.7 million pounds in 1982. With the exception of 1982, they have fluctuated in a very narrow range over the last five years. In 1982, imports appeared to have soared to over double what they were in typical years.[1] This anomaly is fully explainable by the change in tariff classification that went into effect that year.[2]

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1. Staff report table 40.

2. The role of the tariff reclassification in tobacco imports is explained more fully in the Report at A-66 to A-70.

The price at which imports have been selling is not significantly different from what it was three years ago and the quality is not inordinately higher than it was then.[3] Therefore, neither the quantity of imported burley nor the condition under which it enters this country was different than that contemplated by Congress when they drafted the statute and thus can not constitute material interference with the USDA burley program.

FLUE-CURED

Imports of flue-cured tobacco were 86.9 million pounds in 1979, 72.1 million pounds in 1980, 69.4 million pounds in 1981, 94.6 million pounds in 1982, 155.0 million pounds in 1983, and 102.5 million pounds in 1984.[4] Once more, with the exception of 1983, the year in which the classification under the tariff schedules of flue-cured tobacco changed, the level of flue-cured imports has fluctuated in a relatively narrow range. While the 1984 figure is higher than the average of previous years, it is not sufficiently higher than the level existing at the time Congress revised the statute that we can treat it as outside their reasonable contemplation. Further, as in the case of burley, neither the quality nor the price has changed significantly over the last several years.[5] Therefore we can not

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3. Report at A-81 to A-94.

4. Report table 40.

5. Report at A-81 to A-94.

conclude that imports are either higher or entering under conditions other than that contemplated by Congress.

FIRE CURED, DARK AIR-CURED, AND CIGAR FILLER

In the case of the remaining categories of tobacco subject to this investigation, I likewise find that imports are not significantly above the level existing when Congress instituted this program, and they show no signs of an imminent rise.[6] Therefore the threshold condition for recommending relief has not been satisfied.

(2) SUPPLY TO THE MARKET

One of the stated goals of the tobacco price support program is to provide "an orderly, adequate and balanced" supply of tobacco to the market. Not every goal of the tobacco program can be adversely affected by imports. This goal of the program is to ensure that supplies of all the various types of tobacco are sufficient to meet our national needs. To the extent one is concerned with the sufficiency of supply, it is impossible to have too much tobacco available. While it is true that the growth of the loan stocks can have an adverse impact on this or any other agricultural program, that impact can not be the failure to satisfy this goal.

Inordinately large loan stocks may adversely affect the goal

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6. Report at table 40.

of achieving a no-net-cost program, or it may affect the goal of raising growers' incomes, but it can not result in a less than adequate supply to the market. A high level of imports can only result in loan stocks being higher than they would otherwise be. Hence it can only result in a more adequate supply to the market.

STATEMENT OF COMMISSIONER SEELEY G. LODWICK

After considering all of the information gathered in this investigation, I have determined that flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the Tariff Schedules of the United States, are not being and are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the tobacco price support and production adjustment programs now conducted by the U.S. Department of Agriculture.

I agree with the basic findings of my colleagues who also made negative determinations. However, I do not share all of their observations and have therefore written separate views.[1/]

In my statement below I first describe the statutory standard and the factors which I consider in making a determination under section 22. I then discuss each of the programs and the relevant data pertaining to each.

Statutory standard and factors considered

The statute provides that the Commission is to determine whether an article "is being or is practically certain to be" imported into the United States under such conditions and in such quantities "as to render or tend to render ineffective, or materially interfere with," a USDA program. The

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1/ See also, Statement of Vice-Chairman Liebeler, who is in general agreement with the views stated herein.

statute does not define these terms, and the legislative history defines only the term "practically certain".

The term "is being" indicates a present condition. The "practically certain" test is satisfied when "it appears to be reasonably certain that such importations would increase and affect a farm program adversely."[2/]

The Commission has considered the term "render ineffective" to constitute a more difficult test to satisfy than the term "materially interfere with", and in all or virtually all affirmative decisions has limited its finding to that of material interference. The Commission has expressed the view that the test of material interference is satisfied in all cases in which the test of render ineffective is satisfied, but not the reverse.[3/] In the 1981 tobacco case and subsequent section 22 cases, the Commission defined material interference to mean "more than slight interference but less than major interference."[4/]

In making its determination in prior section 22 cases, the Commission has considered such factors as import levels, trends, prices, foreign and domestic

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2/ Report of the House Committee on Agriculture, H. Rept. 1166, 76th Cong., 1st sess. (1939), at 2.

3/ See, for example, Certain Tobacco: Report to the President on Investigation No. 22-43 . . . , USITC Publication 1174, August 1981, at 3.

4/ Id.; Casein, Mixtures in Chief Value of Casein, and Lactalbumin: Report to the President on Investigation No. 22-44 . . . , USITC Publication 1217, January 1982, at 3; Sugar: Report to the President on Investigation No. 22-45 . . . , USITC Publication 1253, June 1982, at 7; and Certain Articles Containing Sugar: Report to the President on Investigation No. 22-46 . . . , USITC Publication 1462, December 1983, at 30, n. 11.

production and inventory levels, inventories held by the Government, and costs to the Government of running the program, to ascertain whether various goals of the program are being satisfied. In the case of the tobacco programs, the various goals are set forth in section 2 of the Agricultural Adjustment Act of 1938,[5/] the Agricultural Act of 1949,[6/] the Agriculture and Food Act of 1981,[7/] and the No Net Cost Tobacco Program Act of 1982.[8/]

These four statutes indicate that the tobacco programs have at least the following goals--

(1) assistance in the marketing of tobacco for domestic consumption and export;

(2) regulation of interstate and foreign commerce in tobacco to the extent necessary to provide an orderly, adequate and balanced flow of tobacco in interstate and foreign commerce through storage of reserve supplies, loans, marketing prices, and steady supply;

(3) a price support loan program keyed to 90 percent of the parity price;

(4) beginning in 1982, operation at no net cost to taxpayers, except for administrative expenses; and

(5) stabilization, support, and protection of farm income and prices.[9/]

There is some overlap among the above goals, and no one goal is controlling. In summary, the goals of the USDA price support program for

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5/ 7 U.S.C. 1282.
6/ 7 U.S.C. 1301 and 1441.
7/ 95 Stat. 1266.
8/ 7 U.S.C. 1281 note; 96 Stat. 197.
9/ General Counsel memorandum, GC-I-013, January 23, 1985, at 7.

tobacco are to maintain a balanced and adequate supply of tobacco, while stabilizing, supporting and protecting farm income and prices. Therefore, I believe the role of the Commission is to examine the possible material interference by imports on these specific goals.

In order to do this, the Commission must become knowledgeable about the program and its administration. However, it is not the Commission's role to look behind the program or its administration. Congress established the programs and delegated the task of administering them to USDA.

Finally, I note here, as I have noted in a previous section 22 case,[10/] that the Commission should give special consideration to the arguments and evidence presented by USDA in view of the special knowledge that USDA has about the programs and the factors affecting them. Other parties may rebut USDA's contentions, but unless they can do so persuasively, the Commission should give great weight to USDA's arguments and supporting information. In the present case I have found that the information before me, including the information furnished by other parties, persuasively rebuts some of USDA's contentions and supporting information.

Flue-cured tobacco

The program.--The flue-cured tobacco program consists of three parts--acreage allotments, marketing quotas, and price support loans. The program is put in force by means of a periodic referendum of eligible voters,

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10/ Statement of Commissioners Eckes and Lodwick in Certain Articles Containing Sugar: Report to the President on Investigation No. 22-46 . . . , USITC Publication 1462, December 1983, at 11-12.

who include allotment holders who have leased out their allotments as well as the actual growers of the tobacco.[11/]

The acreage allotment specifies the maximum acreage that may be planted in tobacco in a given year on a qualifying farm. The marketing quota specifies the quantity of tobacco that may be sold without penalty in a given marketing year by a qualifying farm.[12/]

The 1949 act provides that when marketing quotas are in force, price support shall be made available to any eligible producer that is unable to sell his tobacco for at least the loan level.[13/] The level of support was determined by a basic formula. However, all price support levels have been frozen by Congress at the 1982 level since 1983.[14/] USDA expects prices to remain frozen at the 1982 level for the 1985 crop.[15/]

Price support is extended by means of nonrecourse loans made through producer cooperative associations, with financing by the Commodity Credit Corporation (CCC).[16/] Prior to 1982, net gains, if any, from the association sales were distributed to the producers based on participation, while losses were funded by the government.

In 1982, the No-Net-Cost Tobacco Program was established. Under this program, in order to be eligible for price support, producers must contribute

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11/ Rpt. at A-10.
12/ Rpt. at A-12.
13/ Rpt at A-13.
14/ P.L. 98-59, P.L. 98-180.
15/ Rpt. at A-14.
16/ Rpt. at A-15.

to a fund to assure that the loan program operates at no net cost to the government (excluding administrative expenses). Net gains are retained to be applied to future losses. However, losses on sales of loan stocks from crops prior to 1982 still must be absorbed by the government.[17/]

The question of interference.-- As I stated earlier in this opinion, the question of material interference from imports must be considered in light of the statutory goals of the tobacco program. There are four goals, summarized from my earlier discussion of goals, that I believe are relevant in this regard- a balanced and adequate supply, a stable and supported farm income, stable and supported prices, and the accomplishment of these goals at no net cost to the Government. Certainly, there is tremendous overlap among these goals, since the ability of the USDA to help establish a stable, protected farm income and supported prices depends greatly on the level of supply. However, I shall address each goal individually.

Maintenance of an adequate and balanced supply- The Secretary of Agriculture has broad discretion in his authority to maintain an adequate and balanced supply of tobacco.[18/] Each year the Secretary determines and announces the national marketing quotas and the national acreage allotments for flue-cured tobacco. The national quotas and acreage allotments are a projection of the production needed to meet domestic and export demand and to provide for reasonable carryover stocks.[19/]

17/ Rpt. at A-15.
18/ See General Counsel memorandum, GC-I-013, Jan. 23, 1985, at 20.
19/ Rpt. at A-13.

The formulas used to derive the national quotas and allotments are specified by the Agricultural Adjustment Act of 1938, as amended. The quota formula applies only to domestically grown tobacco, so the formula does not specifically allow for imported tobacco stocks and use. However, since there is no quantitative control on imports, the projected use of domestic tobaccos presumes that recent trends in volume of imports will continue.[20/]

The basis for assessing an adequate supply is defined as at least 275 percent of a normal year's domestic consumption of U.S.-produced tobacco, plus 165 percent of a normal year's exports.[21/] For flue-cured tobacco, the Secretary has the discretion each year to adjust the national quota or allotment by 15 percent below estimated disappearance if he feels the total available supply will be greater than this formula would dictate.[22/]

Since flue-cured tobacco availability has been well over this target level, during the period 1979-84, the Secretary has reduced the basic marketing quota in 5 out of the past 6 years, resulting in a decline in the effective quota in all 6 years. The acreage allotments for flue-cured tobacco declined by 28 percent, and the effective marketing quota fell by 22 percent over this period.[23/]

The result of these quota reductions is that the total supply (excluding imports) has fluctuated less than 5 percent since 1979, and in 1984 the total

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20/ USDA prehearing brief at 5.
21/ Report at A-12.
22/ Report at A-13.
23/ Rpt. at A-16.

supply was actually slightly below its 1979 level.[24/] While imports have increased somewhat over this period, they remain small when compared to the total supply. Furthermore, since the level of imports was lower in the early part of this period, it is apparent that the lowering of the basic quota each year has been a necessary policy decision, independent of the level of imports.

As for the impact of imports on stock levels, I am not persuaded by the argument that imports have caused the large increase in loan stock levels since 1982. I believe that stocks must be viewed in terms of total stock levels, which have fluctuated minimally in recent years.

Loan stocks rose in 1982 and 1983 to a great extent in response to a significant reduction in the level of privately held stocks. Whether in association hands or manufacturers' hands, stocks are significant in terms of their collective impact on supply and the Secretary's decision to reduce marketings.

In summary, the impact of imports on total supply has been minimal. USDA continues to have adequate authority to control domestic supplies at a relatively stable level. Therefore, I cannot agree with USDA that imports are materially interfering with the goal of maintaining an adequate and balanced supply of tobacco.

With respect to future imports, I find that there is no convincing evidence on the record to conclude that imports are practically certain to increase to such levels in the foreseeable future as to materially interfere with the program. I considered the various data series presented on imports

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24/ Rpt. at A-44.

for consumption and general imports and find that the level of imports is currently stable.

The large increase in imports during the 1983 crop year can be wholly attributed to a Customs classification change and does not constitute a new, higher trend for tobacco imports.

Furthermore, it can be expected that the price gap between domestic and foreign tobacco will continue to narrow while the support price remains frozen at its current level. Thus, those future imports that are substitutable with domestic types will be deterred. Those types that are not substitutable are not likely to cause interference.

Stable and supported income- Generally speaking, farm income is a function of acreage planted times the yield times the price minus production costs. The acreage planted and poundage marketed for flue-cured tobacco are set annually by the Secretary of Agriculture. Since the levels of these allotments and quotas have been only minimally influenced by imports, as explained above, and the support price has been frozen by law over the past three years, the only variables in the equation are yield and production costs, factors that are not influenced by imports.

Further, I am not persuaded by arguments of the Farm Bureau that no net cost assessments are reducing farm income to such a degree as to interfere with the goal of protecting farm income. To begin with, cash receipts of tobacco growers have been at record or near record levels in each of the past 5 years. Average per pound prices paid to farmers from 1980 to 1984 rose 25 percent.[25/] At the same time, total costs, including management, land and

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25/ Rpt. at A-31.

quota (and assessments since 1982) rose by only 21 percent.[26/] Further, average income per pound rose by 60 percent over the same period.[27/]

Those in support of import restrictions also contend that the projected no net cost assessments of 25¢ per pound for 1985,[28/] up from 7¢ per pound in 1983 and 1984, are the result of imports and that they are practically certain to threaten growers' incomes in the future. However, I am not persuaded that the projected increase in assessments for 1985 is related to imports.

The assessment is a charge for interest expenses, storage, and processing costs associated with loan-stocks incurred by the cooperatives since 1982. The level of assessment, then, is related to the level of stocks in loan since 1982, which I have previously stated is only minimally related to imports and rose recently in response to a reduction in manufacturers stocks.

In addition, since April 1984, loan payments must be applied to both outstanding principal and interest.[29/] Previously, payments were first applied to principal and then to interest, substantially reducing the total value of the loan over its lifetime. Moreover, since April 1982, loans to associations have been made at prevailing Treasury borrowing costs, whereas prior to that time the CCC charged below-market interest rates for

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26/ Id.
27/ Id.
28/ USDA prehearing brief at 14.
29/ Tobacco, ERS Bulletin #468 at 26.

nonrecourse loans.[30/] Because of both of these changes, the costs to growers and allotment holders of carrying out the no net cost program necessarily will be greater than the cost to the Government under the pre-1982 program.[31/]

Another event, unrelated to imports, that will affect the level of assessments to producers in the future is the freezing of price supports in 1982. No longer will inflation price stocks under loan below new-crop tobacco.

Stable and supported prices- I also find that the goal of maintaining stable and supported farm prices is not being and is not practically certain to be materially interfered with by imports because prices have been set by Congress. The Commission must assume that Congress has not set prices so as to conflict with its own previously mandated goals, such as adequate price support.

As stated earlier, the current loan rate was frozen by Congress in 1983 and again in 1984.[32/] For the 1985 crop, flue-cured tobacco will continue to be frozen at the 1982 level if a formula, related to costs, increases by less than 5 percent. USDA has stated that the cost formula will increase by less than 5 percent so that the loan rate will remain at 169.9¢ per pound for

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30/ Id.

31/ While the Congressional Budget Office estimated, for budgeting purposes, that the no net cost program would save the Government about $8 million per year during fiscal years 1985-87, Congress in no way indicated what level of assessments on growers and allotment holders would be acceptable or would adversely affect farm income. H. Rpt. 97-613 (1982), at 32.

32/ P.L. 98-59, P.L. 98-180.

the 1985 flue cured crop.[33/]

Moreover, the decision by Congress to freeze prices in 1983 apparently was not due to imports, but to the erosion in demand for U.S. tobacco in the export and domestic markets because of the disparity between its price and that of our competitors' tobacco.[34/]

Finally, as mentioned earlier, the average price per pound paid to farmers has risen in 4 out of the last 5 years or by 25 percent since 1980. Grower prices have averaged higher than price support levels since 1980. Since 1981, average prices received have been more than 8¢ per pound above the loan rate.[35/] Another indication that prices have firmed somewhat is that the percentage of the crop placed under loan has declined steadily for the past 3 years.

Operation of the program at no net cost to the taxpayers--Since 1982 this goal has been achieved. There have been no costs, other than allowable administrative costs, to the taxpayers.

With the projected assessmsent rate increase to 25¢ per pound for flue-cured tobacco in 1985, there again should be no net cost to taxpayers.

33/ Report at A-14.

34/ Hrg. testimony of Mr. C. Hoke Leggett, Associate Administrator of ASCS, USDA, before the Committee on Agriculture, Nutrition and Forestry, U.S. Senate, June 14, 1983. "Unless measures are taken to bring the price of U.S. flue-cured, burley, and other kinds of tobacco more into line with the prices of competing foreign growths, we face the prospect of further loss of sales in the export and domestic markets, a continuing buildup on loan inventories, increased contributions by producers to the no net cost fund, and reduction in production quotas."

35/ Report at A-83.

USDA stated that the CCC has suffered some losses on pre 1982 existing loan stocks in the past year and faces assured losses of about $450 million on the 1976-81 crop inventories.[36/]

It is my view that these are losses unrelated to imports. This is the case for the same reasons previously stated in this opinion, concerning the current financing of the loan stocks and their relative value to new-crop tobacco. Some inevitable losses can also be attributed to the fact that a large part of the pre-1982 loan stocks consists of poor quality 1977 crop tobacco which most observers admit will not sell without substantial discounting from its loan value.

The Farm Bureau argued that imports are likely to cause material interference to the program because the CCC could face losses on post 1982 loan stocks of over $1.3 billion, if producers vote out the program in the next referendum. In this event, all outstanding loans would be defaulted and the CCC would suffer all financial losses which could not be recouped by sales of loan stocks.

I am not persuaded by this argument. Little or no evidence was presented on the record to show that a voting out of the program by referendum is clear or imminent. In fact, the flue-cured tobacco referendum will not be put to a vote until December 1985.[37/] Furthermore, in light of the discussion of farm income related above, it does not appear that the average grower and allotment holder, both eligible voters in such a referendum, are facing the

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36/ USDA prehearing brief at 14.
37/ Rpt. at A-11.

kind of cost/price relationship which would precipitate such action.[38/]

Burley Tobacco

The program.--The program for burley tobacco operates similarly to the program for flue-cured. However there are several important differences. There are no acreage allotments for burley tobacco. Also, the maximum reduction that the Secretary can make to the national marketing quota is 10 percent below either disappearance or the previous year's quota.

Another major difference is how the price support level is determined. In 1982, the average support level had to reflect at least 65 percent of the increase that the basic formula allowed. In 1983, the burley support price was frozen at the 1982 level.[39/] The price remained at that level in 1984 because of a mandate not to narrow the normal differential from the support level for flue-cured tobacco.

For 1985, the 65 percent provision will again apply to the burley crop, and for this reason the support level is expected by USDA to rise slightly.

The burley program is subject to the same provisions under the No-Net-Cost Program as flue-cured tobacco.

The question of interference.--As in the case for flue-cured tobacco, the question of interference from imports must be considered in light of the statutory goals of the program. Again, I shall address each goal individually.

38/ The current marketing quota referendum was approved by 93.7 percent of the voters in December 1982.

39/ Supra note 14.

Maintenance of an adequate and balanced supply- The Secretary also has some discretion, as described above, to adjust marketing quotas for burley tobacco in order to maintain an adequate and balanced supply. The basic marketing quota increased through the 1982 crop to 680 million pounds and then was reduced by nearly 100 million pounds by 1984.

The total supply of available burley tobacco rose by 30 percent from 1980 to 1984.[40/] At the same time, total stocks, including both manufacturers' and loan stocks, also rose by about 30 percent; however, loan stocks went from zero in 1981 to 377 million pounds in 1984.

Unusual circumstances in both 1982 and 1983 accounted for this extraordinary buildup in loan stocks. First, the effective quota for burley in 1982 was about 100 million pounds greater than the basic quota due to substantial undermarketings in the previous year which were then used in 1982.[41/] Furthermore, near record yields that year resulted in marketings at the maximum allowable levels.

Second, the previously mentioned change in customs classification raising the duty on some tobaccos occurred in this crop year for burley. As a result, an especially large volume of foreign burley tobacco was entered as imports for consumption by manufacturers. The pressure of this excess supply narrowed the gap between the average price and the loan rate to its smallest amount in

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40/ Rpt. at A-44.

41/ A farm producing flue-cured or burley tobacco can market up to 10 percent more than its allotment (overmarketings), but the excess is deducted from the following year's quota. If less than the quota is marketed in any year (undermarketings) the difference is added to the farm's quota for the following year. Report at A-13.

many years. As a result, a record 270 million pounds, or 35 percent of the crop, were placed under loan.42/

Thirdly, while the basic and effective quotas declined in 1983, one of the worst droughts in history hit the tobacco growing areas cutting production to about 525 million pounds of a generally poor quality. Again, with the pressure of a poor crop quality, the gap between the average price and the support price narrowed--this time to only 2¢ per pound.43/ Over 250 million pounds, or almost 50 percent of the 1983 crop, were placed under loan in that year.

Imports in 1983 resumed their more normal level near 100 million pounds, but a reduction of about 56 million pounds in domestic disappearance aggravated the situation and limited withdrawals from stocks.44/ By the beginning of the 1984 crop year almost 400 million pounds were under loan.

Although the Secretary reduced the basic quota the maximum amount in 1984, due to undermarketings in 1983, marketings in 1984 again reached record levels because of excellent yields. Total supply rose in 1984 despite a decrease in imports and an hefty gain in exports back to normal pre-drought levels.

In summary, imports have not been a significant factor in determining available domestic supplies of burley tobacco in the past few years.

42/ Report at A-44.
43/ Report at A-84.
44/ Report at A-36.

Stable and supported income- The discussion above on farm income for flue cured tobacco generally applies to burley as well.

The relationship of yield to total income is even more apparent in the case of burley tobacco. Costs per pound for the drought-reduced 1983 crop were nearly 40 percent above those for 1982 because the exceptionally low yields produced a crop of only 527 million pounds.45/ I reiterate that cash receipts for tobacco growers were at record or near record levels in each of the past 5 years.

Figures on costs and income show a somewhat different picture for burley as for flue cured tobacco. When management, land, and quota costs are added to the other costs of production (variable costs, machinery and barn ownership, general farm overhead and others), there is an average loss per pound in each year since 1980.

However, this loss cannot be related to imports. Instead, it relates to the greater expenses for labor in the production of burley tobacco over flue-cured. The average margin between price and cost is smaller because much greater reductions in labor have been achieved for flue cured than for burley.46/

When management, land and quota expenses are excluded from the cost side, the cost of producing burley tobacco rose 11 percent from 1980 to

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45/ Rpt. at A-44.
46/ Rpt. at A-29.

1984 while the average price rose 12 percent over the same period.[47/] This is relevant since a much higher percentage of burley tobacco growers own the entire tobacco quota they produce.[48/]

Furthermore, the ratio of income to price for producing burley tobacco was as high or higher in 1982 and 1984, years in which the no net cost assessment was paid, as it was in the years prior to 1982. It was not in 1983 because of the problems with the short crop.

Finally, income is not practically certain to be materially interfered with because of imports. Again, this is because the expense of carrying the current loan stocks is due to other factors, like their size, price and inflation--factors not affected by the level of imports.

Stable and supported prices--I find that the goal of maintaining stable and supported farm prices is not being and is not practically certain to be materially interfered with by imports for the same reasons set forth earlier on flue-cured tobacco.

I note that for burley tobacco, as was the case for flue-cured, the average price per pound received by farmers was above the support price in every year for at least the past 10 years.[49/]

Operation of the program at no net cost to the taxpayers- This goal has also been achieved for burley tobacco. My views on flue-cured tobacco are relevant here.

47/ Rpt. at A-32.
48/ Rpt. at A-28.
49/ Rpt. at A-84.

As for voting out the program, the next referendum for burley tobacco is not until February 1986. I also note that in the last referendum, held in February 1983, the program was approved by 97 percent of the eligible voters.

Dark air-cured, fire-cured, and cigar filler and binder tobacco programs

I have also determined that tobacco is not being and is not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the USDA programs for dark air-cured, fire-cured, and cigar filler and binder tobacco. I agree with USDA's position that there is "no convincing evidence" that imports are materially interfering with the dark air-cured and fire-cured tobacco programs.[50/] I also note that USDA apparently was unconvinced that imports were materially interfering with the cigar filler and binder programs, since USDA was able to conclude only that the evidence "suggests" that imports "may be interfering" with the programs for such tobacco.[51/]

The information before me clearly shows no indication of interference by imports with the programs for dark air-cured and fire-cured tobaccos. Imports of such tobaccos are small and have trended downward in recent

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50/ USDA prehearing brief at 22, 23.
51/ Id. at 21.

years.[52/] Stocks under loan have also trended downward and are de minimis or zero for certain types of such tobacco. The average price per pound paid to domestic growers of such tobacco has increased significantly and has generally exceeded the price support level by a wide margin in recent years.[53/]

The information before me also shows no indication of material interference with the programs for cigar filler and binder tobacco. Imported cigar filler and binder tobaccos have, for the most part, a flavor and other characteristics which distinguish them from domestic cigar filler and binder tobaccos, and thus to a large extent the domestic and foreign products are not substitutable.[54/] In addition, importers pay a higher price for many of these foreign cigar filler and binder tobaccos because they find such tobaccos to be important in achieving the desired tastes for their cigars.[55/] Imports, the ratio of imports to consumption, and apparent domestic consumption of such tobacco, while all trending upward in the last several years, have remained relatively constant over the past 10 years. Consumption of domestic supported cigar filler and binder tobacco, while trending downward since 1980, has also

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52/ Report at A-66.
53/ Report at A-47-48.
54/ Hearing transcript at 301-02, 308-09, 312-13.
55/ Hearing transcript at 305.

remained relatively constant during the last 10 years.[56/] The Commission received testimony at the hearing to the effect that growers were able to raise their prices in recent years, by 20 cents per pound in 1984 alone, indicating that imports are not depressing grower prices or adversely affecting grower profits to a significant extent.[57/] Thus, I conclude that cigar filler and binder tobacco is not being and is not practically certain to be imported under such conditions and in such quantities as to render or tend to render, or materially interfere with, USDA's programs for such tobacco.

Conclusion- For the above stated reasons, I therefore concluded that flue , fire-, and dark air-cured tobacco and burley tobacco in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the TSUS, are not being and are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the tobacco price support and production adjustment programs now conducted by the USDA.

56/ Report at A-42.
57/ Hearing transcript at 295.

STATEMENT OF COMMISSIONER ALFRED ECKES

On the basis of the information before me in this investigation, I have found that—

> (1) flue-cured tobacco and burley tobacco, in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60 and 170.80 of the Tariff Schedules of the United States (TSUS) are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the flue-cured and burley tobacco price support and production adjustment program of the U.S. Department of Agriculture, and
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> (2) fire-cured tobacco and dark air-cured tobaccos, in unmanufactured form, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the TSUS, are not being and are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the fire-cured, dark air-cured, cigar filler, and cigar binder tobacco programs of the U.S. Department of Agriculture.

Having found that imports of flue-cured and burley tobaccos are practically certain to be imported under such conditions and in such quantities as to materially interfere with the USDA tobacco programs, I recommend that the President proclaim a quota on imports of flue-cured tobacco of 64.4 million pounds per crop year (July 1-June 30, farm-sales weight) and a quota on imports of burley tobacco of 99.9 million pounds per crop year (October 1-September 30, farm-sales weight).

Before discussing the respective programs and the impact that imports are or are not having on them, I wish to discuss three points underlying my finding in this case—the statutory standard, the role of the Commission in section 22 cases, and the weight to be accorded evidence presented by the Department of Agriculture.

The statute provides that the Commission is to make an affirmative finding when it determines that an article "is being or is practically certain

to be" imported under such conditions and in such quantities "as to render or tend to render ineffective, or materially interfere with," a USDA program. "[I]s being" means at the present time, and the legislative history states that the "practically certain" test is satisfied when "it appears to be reasonably certain that such importations would increase and affect a farm program adversely." 1/

The term "render or tend to render ineffective, or materially interfere with," is not defined in either the statute or its legislative history. The Commission in previous investigations has considered "render ineffective" to constitute a more difficult test to satisfy than "materially interfere." 2/ As a result, essentially all affirmative Commission section 22 findings have been based on a finding of material interference, there having been no further need to determine whether the stricter render ineffective test was met. In the 1981 tobacco investigation the Commission majority (Commissioners Alberger, Calhoun, and Stern) defined material interference as "more than slight interference but less than major interference." 3/ Commissioners have defined material interference in similar terms in several other recent section 22 cases. 4/ The test is satisfied when a clear connection between imports and the condition of the program can be found. The concept of "material"

1/ Report of the House Committee on Agriculture, H. Rept. 1166, 76th Cong., 1st sess. (1939), at 2.

2/ See, for example, Certain Tobacco: Report to the President on Investigation No. 22-43 . . . , USITC Publication 1174, August 1981, at 3.

3/ Id.

4/ See, for example, Casein, Mixtures in Chief Value of Casein, and Lactalbumin: Report to the President on Investigation No. 22-44 . . . , USITC Publication 1217, January 1982, at 3; Sugar: Report to the President on Investigation No. 22-45 . . . , USITC Publication 1253, June 1982, at 7; and Certain Articles Containing Sugar: Report to the President on Investigation No. 22-46 . . . , USITC Publication 1462, December 1983, at 30, n. 11.

interference is similar to that of "material" injury under title VII of the Tariff Act of 1930, where material injury is defined as "harm which is not inconsequential, immaterial, or unimportant." 5/

In prior section 22 cases, the Commission has examined such factors as import levels, trends, and prices, foreign and domestic production and inventory levels, inventories held by the Government and costs to the Government under the program, and whether various objectives of the program are being met. The objectives of the programs are set forth in the Agricultural Adjustment Act of 1938 6/ and legislation pertaining to specific commodity programs such as, in the case of tobacco, the Agricultural Act of 1949, 7/ the Agriculture and Food Act of 1981, 8/ and the No Net Cost Tobacco Program Act of 1982. 9/

These statutory provisions indicate that the tobacco programs have at least the following objectives:

(1) assistance in the marketing of tobacco for domestic consumption and export;

(2) regulation of interstate and foreign commerce in tobacco to the extent necessary to provide an orderly, adequate and balanced flow of tobacco in interstate and foreign commerce through storage of reserve supplies, loans, marketing prices, and steady supply;

(3) a price support loan program keyed to 90 percent of the parity price;

(4) beginning in 1982, operation at no net cost to taxpayers, except for administrative expenses;

(5) stabilization, support, and protection of farm income and prices.

5/ Sec. 771(7)(A), 19 U.S.C. 1677(7)(A).
6/ 7 U.S.C. 1282.
7/ 7 U.S.C. 1301 and 1441.
8/ 95 Stat. 1266.
9/ 7 U.S.C. 1281 note; 96 Stat. 197.

The most fundamental of these objectives is probably the fifth one. Section 22 exists in large part to facilitate the achieving of this objective. 10/ No one of the objectives appears to be controlling. The fact that some are met does not mean that a program is not being interfered with. For example, the fact that the tobacco program is operating at no net cost to taxpayers is not necessarily dispositive of the material interference question, since the Commission could find that other important objectives are not being met.

The second of the three points which I wish to address concerns the role of the Commission in these cases. Our role is to determine whether imports are interfering with a USDA program, not to assess the merits of the program or offer suggestions concerning its administration. During the Commission's hearing, the Commission was advised that there are serious flaws in the tobacco programs and in their administration, and the Commission was urged to take these flaws into account in making its determination. 11/ While the Commission must be knowledgeable about the programs and how they operate, it is not our task under section 22 to look behind them or their management. Congress established the programs and delegated the task of managing them to USDA. It is up to Congress to make any changes in the programs and to oversee

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10/ Senator Warren Magnuson, in speaking in support of an amendment to section 22 in 1953 giving the President authority to take emergency action pending receipt of Commission advice, stated—

> The whole objective of the farm programs authorized by Congress is to maintain a price level in this country that will produce a fair return to the farmers. As we achieve this objective, it is inevitable that prices of farm products in the United States will be higher than in the world market. This situation serves as a magnet to draw imports. Unless we are prepared to support world prices, therefore, we must have reasonable and effective tools with which to control imports.

99 Cong. Rec. 7877 (1953).

11/ Hearing transcript at 349–50.

USDA management of them, as Congress did in enacting the No Net Cost Tobacco Program Act of 1982.

Third, I believe that the Commission should give special consideration to the submissions and testimony of USDA in section 22 cases. USDA administers the programs and is the party most knowledgeable about them. Other parties may rebut the assertions made by USDA, but unless they can do so persuasively, the Commission should give great weight to USDA's contentions and supporting information. 12/ In the present case I found that USDA's principal contentions and information 13/ with respect to the flue-cured and burley programs were not persuasively rebutted.

In the views below I discuss the flue-cured and burley programs and the impact of imports on them separately, and in a third section discuss the fire-cured, dark air-cured, and cigar filler and binder programs. Flue-cured and burley tobacco accounted for 91 percent of domestic tobacco production and 70 percent of the types of imported tobacco under investigation in 1984. 14/ In the fourth section I discuss my remedy recommendation.

Flue-cured tobacco program

Domestic production of flue-cured tobacco is controlled by marketing

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12/ This has been my position in prior cases. See the statement of Commissioner Eckes and Commissioner Lodwick in Certain Articles Containing Sugar: Report to the President on Investigation No. 22-46 . . . , USITC Publication 1462, December 1983, at 11-12. For similar views of another Commissioner on this point, see the statement of Commissioner Bedell in Certain Tobacco: Report to the President on Investigation No. 22-43 . . . , USITC Publication 1174, August 1981, at 27.

13/ USDA provided the Commission with two data series regarding imports--their series published in Tobacco: Outlook and Situation Report, and an additional data series prepared by USDA's Foreign Agricultural Service for this investigation. Import data in the latter series more accurately represent imports for consumption than data contained in the first series. Differences in these series are explained in the report at A-46-48.

14/ Report at A-3, A-66.

quotas and acreage allotments. The marketing quota specifies the quantity of tobacco that may be sold without penalty in a given marketing year from a qualifying farm, and the acreage allotment programs specifies the maximum acreage that may be planted in a given year for a qualifying farm. 15/ These quotas are adjusted annually. 16/ The Agricultural Act of 1949 provides that when marketing quotas are in force, price supports are to be made available to any producer who is unable to sell his tobacco for at least the loan level. 17/ Support levels are based on a statutory formula and have been frozen by statute at the 1982 support level since 1983. 18/ Price supports are extended by means of nonrecourse loans made through producer cooperative associations with financing provided by the Commodity Credit Corporation (CCC). 19/ Prior to 1982, losses on sales of tobacco taken under loan were funded by the Government. Since 1982 and the advent of the No Net Cost Tobacco Program, losses have been funded from special assessments levied on growers and allotment holders. 20/

Imports of flue-cured tobacco have increased sharply in recent years and are practically certain to materially interfere with USDA's flue-cured tobacco program. Such imported flue-cured tobacco is largely substitutable for domestically grown flue-cured tobacco. Imports of flue-cured tobacco for consumption increased from 35.8 million pounds in crop year 1975 (July 1-June 30, farm-sales weight) to 86.9 million pounds in 1982 and then surged to 155.0 million pounds in 1983 before declining to an estimated 102.5 million pounds

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15/ Report at A-12.
16/ Id.
17/ Report at A-14.
18/ Id.
19/ Report at A-15.
20/ Id.

in 1984. Thus, imports nearly tripled between 1975 and 1984, and were higher in 1984 than in any other year but 1983. The unusually large increase in imports for consumption in 1983 is attributable in large part to a surge in such imports in August 1983 to avoid a higher rate of duty resulting from a tariff reclassification. Many of these imports were not used by manufacturers during this period, but instead were withdrawn from bonded warehouses and placed in non-bonded inventories. 21/ But for this reclassification, imports would have been lower in 1983 and higher in 1984, with the trend towards increasing imports continuing.

U.S. stocks of foreign-grown flue-cured tobacco increased by more than threefold between 1975 and 1984, from 70 million pounds to 244 million pounds. Such stocks increased to 147 million pounds in 1979 to 161 million pounds in 1981, 200 million pounds in 1982, 213 million pounds in 1983, and 244 million pounds in 1984. These foreign-grown stocks accounted for 11.3 percent of all domestic flue-cured tobacco stocks on July 1, 1984, as compared with 7.1 percent on July 1, 1979. 22/

At the same time that imports and stocks of foreign-grown flue-cured tobacco were increasing, domestic consumption and production of flue-cured tobacco declined. As a result, the ratio of imports to consumption has increased almost fourfold since 1975. Apparent domestic consumption of flue-cured tobacco declined from 706 million pounds in crop year 1975 to 601 million pounds in 1980 and an estimated 537 million pounds in 1984. 23/ The ratio of imports to consumption, on the other hand, increased from 5.1 percent

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21/ Report at A-66.
22/ Report at A-45-46.
23/ Report at A-36.

in 1975 to 12.0 percent in 1980 and 26.0 percent in 1983, the year of the tariff reclassification surge, before declining to 19.1 percent in 1984. 24/

U.S. production (marketings) of domestic flue-cured tobacco declined irregularly from 1.41 billion pounds in crop year 1975 (types 11-14) to 1.14 billion pounds in crop year 1981, and then declined to 994 million pounds in crop year 1982, 855 million pounds in crop year 1983, and 845 million pounds in crop year 1984. The flue-cured tobacco acreage harvested declined sharply from 717,000 acres in 1975 to 541,000 acres in 1981 and to 472,000 acres in 1982, 410,000 acres in 1983, and 395,000 acres in 1984.

Simultaneously with this increase in imports and foreign-grown stocks and decline in domestic production and acreage, stocks under loan with the CCC surged. Stocks under loan more than quadrupled between 1975 and 1984, rising from 180 million pounds to 797 million pounds. Much of this increase has occurred since 1982, when only 519 million pounds were under loan. 25/ Imports surged in recent years notwithstanding the fact that the domestic price support level has been frozen since 1982 and is likely to remain at the 1982 level in 1985. 26/ The average price for imported flue-cured tobacco was over 25 percent below the weighted average price for domestic flue-cured tobacco during 1981-84. 27/

The CCC is likely to incur large losses from flue-cured tobacco loan stocks acquired prior to 1982 and the advent of the No Net Cost Tobacco Program Act. USDA has stated that the CCC faces an assured loss of about $450

24/ Id.
25/ Report at A-45.
26/ Report at A-14.
27/ Report at A-89.

million on 1976-81 crop inventories and that losses could exceed this amount if its October 29, 1984, price discounts are unsuccessful in moving these loan stocks. 28/ USDA also estimates that costs to growers and allotment holders under the No Net Cost Program for stocks acquired since 1982 could exceed $177 million. 29/ Assessments to growers and allotment holders under the No Net Cost Program are rising rapidly. They were 3 cents per pound in 1982 and 7 cents per pound in 1983 and 1984, and the Flue-Cured Stabilization Board has recommended an assessment of 25 cents per pound for 1985. 30/ Thus, based on the above trends, it appears that the CCC and U.S. taxpayers will incur substantial losses on the sale of pre-1982 loan stocks, and growers and allotment holders will to incur sharp increases in assessments under the No Net Cost Program to offset losses on post-1982 loan stocks. These increases in assessments are likely to cut sharply into growers' income in 1985.

Promotion of exports is one of the objectives of the USDA programs. U.S. exports of flue-cured tobacco, which had been increasing up through 1980, have declined steadily since then. Exports declined from 391 million pounds in 1980 to 311 million pounds in 1983. 31/ At the same time that U.S. exports, production, and consumption were declining, world production and exports have been trending upward. In 1984, the United States accounted for 13 percent of world production, compared with 20 percent in 1980, and in 1984 accounted for 23 percent of world exports, compared with 29 percent in 1980. 32/

28/ Report at A-17; see USDA prehearing brief at 14. USDA reported at the Commission's January 3, 1985, hearing that despite discounts as high as 90 percent on the 1976 and 1981 flue-cured crops when purchased in combination with specific quantities of 1982-84 crop tobacco, only 77 million pounds of the 734 million pounds in uncommitted holdings had been sold as of early December 1984. Hearing transcipt at 99.

29/ Report at A-17; USDA prehearing brief at 14.

30/ Report at A-17.

31/ Report at A-66.

32/ Report at A-72.

The decline in domestic tobacco consumption is in part the result of a shift towards use of burley tobacco (which is more suitable for use in low-tar, low-nicotine cigarettes), the increased efficiency of cigarette manufacturers (they can produce more cigarettes with a given amount of tobacco), and a 7 percent decline in domestic cigarette consumption since 1981. 33/ In the face of such a decline in consumption, imports of flue-cured tobacco would have been expected to have declined. Instead, imports have risen sharply. At the same time, domestic marketings and production acreage have been cut back substantially, and stocks held under the program have increased significantly. 34/

The CCC is faced with an impending loss of almost a half billion dollars on pre-1982 stocks it has acquired, and the No Net Cost Program fund which includes assessments levied on farmers and allotment holders may lose $177 million on sales of flue-cured tobacco acquired since 1982. Thus, imports and the flue-cured tobacco program are clearly on a collision course. It is more than "reasonably certain" that such imports will adversely affect the flue-cured tobacco program. I therefore conclude that imports are practically certain to be imported under such conditions and in such quantities as to materially interfere with USDA's flue-cured tobacco program.

Burley tobacco program

The program for burley tobacco is similar to that for flue-cured tobacco, but there are no acreage allotments. As in the case of flue-cured tobacco,

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33/ Report at A-35, A-37.

34/ An analysis prepared for the Commission indicates that a significant part of this decline in domestic marketings and acreage is the result of displacement by imports. See Office of Investigations memorandum INV-I-021 of January 28, 1985, transmitting this analysis to the Commission.

production of burley tobacco is controlled by marketing quotas, which are adjusted annually. Price supports are available to growers unable to sell their tobacco at or above the loan level. Losses from tobacco placed under loan prior to 1982 are funded by the Government, and losses from tobacco placed under loan since 1982 are funded from grower assessments under the No Net Cost Tobacco Program. 35/ In 1983 and 1984, support levels for burley were frozen at 1982 levels. 36/

Imports of burley tobacco have increased substantially in recent years and are practically certain to materially interfere with USDA's burley tobacco programs. Imports rose from 64 million pounds in crop year 1975 (October 1-September 30, farm-sales weight) to 105 million pounds in 1979 and remained at or above 100 million pounds through 1984. Imports surged to 224 million pounds in 1982 as a result of a tariff reclassification. 37/ As in the case of imported flue-cured tobacco, imported burley tobacco is largely substitutable for domestic burley tobacco.

U.S. stocks of foreign-grown burley tobacco have increased over threefold since 1974 from 88 million pounds on October 1, 1974, to 288 million pounds on July 1, 1984. Such stocks have exceeded 250 million pounds since 1981. Stocks of foreign-grown burley tobacco were equal to 21.6 percent of stocks of domestic burley on October 1, 1984, as compared with 15.5 percent on October 1, 1979. 38/

Imports and U.S. stocks of foreign-grown tobacco remained high in recent years notwithstanding a decline in apparent U.S. consumption of such tobacco.

35/ Report at A-12-14.
36/ Report at A-14.
37/ Report at A-66.
38/ Report at A-45-46.

Apparent consumption, which exceeded 600 million pounds (farm-sales weight) in 1979 and 1980 and was a record 668 million pounds in 1982, declined sharply to 517 million pounds in 1983 and to an estimated 495 million pounds in 1984. The ratio of imports to consumption increased from 11 percent in 1975 to 17 percent in 1979 and averaged 25 percent during the 3 years 1982-84. Consumption of domestic burley has declined continuously since 1978, declining from 503 million pounds in 1978 to an estimated 395 million pounds in 1984. 39/ The average price for imported burley tobacco was almost 40 percent below the weighted average price for domestic burley tobacco during 1981-84. 40/

Marketings (production) of domestic burley tobacco have fluctuated during the past 10 years and have declined since 1982. Marketings totalled a record 777 million pounds in 1982 and declined to 527 million pounds in 1983, in large part as a result of a drought in major growing areas that year. Marketings rebounded to an estimated 700 million pounds in 1984, but they remained well below the 1982 level. Acreage harvested also peaked in 1982 and has declined in a similar manner. 41/.

Stocks under loan, which stood at 0 and 700,000 pounds in 1981 and 1982, respectively, soared to 226 million pounds and an estimated 377 million pounds in 1983 and 1984, respectively, back-to-back records. 42/ USDA advised the Commission that the burley program lost about $344,000 on disposal of the 1981

39/ Report at A-36.
40/ Report at A-90.
41/ Report at A-44. An analysis prepared for the Commission indicates, as in the case of flue-cured tobacco, that imports of burley tobacco displaced domestic burley and had a significant role in these declines in marketings and acreage. See note 34, supra.
42/ Report at A-44.

crop inventory and that price discounts on the 1983 crop, which is covered by the No Net Cost Tobacco Program, could cost the no-net-cost fund in excess of $100 million by the end of the 1984 season. 43/ To cover such large potential losses, USDA raised the no-net-cost assessment fee from 1 cent per pound in 1982 to 9 cents per pound in 1984, and USDA estimates that an assessment fee of about 20 cents per pound will be necessary in 1985 to cover carrying costs from the 1982-84 crops. 44/

U.S. exports of burley tobacco peaked in 1982 at 104 million pounds and declined sharply to 91 million pounds in 1983. This downward trend continued into 1984. In January-November 1984, such exports totaled 70 million pounds as compared with 89 million pounds in January-November 1983. 45/

In the course of the investigation, it was suggested that increased burley imports were needed to offset a decline in 1983 domestic production as a result of poor domestic growing conditions that year. However, the effect of reduced 1983 production has been exaggerated for two reasons. First, large, good-quality crops in both 1982 and 1984 more than offset any shortages caused by the shortfall in the 1983 crop. Second, and perhaps more important, any such shortfall in a given crop year has limited effects because tobacco must be aged and generally is not used until it is about 2 1/2 years old. Thus, any shortfalls in individual crop years tend to be offset by good crops in prior or subsequent years. USDA estimates that the present supply of burley equals about 4 years of domestic and export needs and that it is 1.2 to 1.4 years above the desired level. 46/

43/ Report at A-18; USDA prehearing brief at 18-19.
44/ Report at A-17-18; USDA prehearing brief at 19.
45/ Report at A-56.
46/ USDA prehearing brief at 18.

As in the case of flue-cured tobacco, part of the decline in domestic production and consumption of burley tobacco is attributable to increased efficiency in cigarette manufacturing and a decline in cigarette consumption. However, as in the case of flue-cured tobacco, imports have increased in the face of declining consumption. At the same time, stocks held under the program have increased dramatically and both the Government and the no-net-cost fund are likely to sustain sizeable losses on stocks under loan. Assessment fees levied on growers in 1985 are estimated to be 20 times the level of 1982 fees, and the payment of such fees will unquestionably have a significant adverse effect on income from tobacco in 1985. In view of the above, I have concluded that it is more than reasonably certain that imports will adversely affect the burley tobacco program, and I have therefore found that such imports are practically certain to materially interfere with USDA's burley tobacco program.

Dark air-cured, fire-cured, and cigar filler and binder tobacco programs

Tobacco is not being and is not practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the USDA's price support and production adjustment programs for dark air-cured, fire-cured, and cigar filler and binder tobaccos. I agree with the statement of USDA that there is "no convincing evidence" that imports are materially interfering with the programs for dark air-cured and fire-cured tobaccos. 47/ USDA was somewhat more ambiguous concerning the effect of imports on the cigar filler and binder

47/ USDA prehearing brief at 22, 23.

programs, stating that the evidence "suggests" that imports of cigar tobacco "may be interfering" with the programs for cigar filler and binder. 48/

The programs for dark air-cured, fire-cured, and cigar filler and binder tobaccos are similar in most respects to the program for burley. Unlike imports of flue-cured and burley tobacco, imports of dark air-cured and fire-cured tobaccos are small and have trended downward in recent years. 49/ Stocks under loan have declined in recent years and for certain types are either de minimis or nonexistent. In addition, the average price per pound paid to growers for their crops has generally exceeded the price support level by a wide margin in recent years. 50/ Thus, imports are clearly not materially interfering with those two programs.

Imports of cigar filler and binder tobacco are sizeable and approach the level of imports of flue-cured and burley tobacco. Imports have trended upward in recent years and in crop year 1984 totalled an estimated 85 million pounds (October 1-September 30, farm-sales weight). Apparent domestic consumption of such tobacco has fluctuated over the years. In 1980, it was at its highest level of the 10-year period 1975-84. After declining in 1981 and 1982 from 1980 levels, it has trended upward. Consumption in 1984 was estimated at 129.5 million pounds, just slightly below the 1980 level of 130 million pounds. The ratio of imports to consumption has been relatively high throughout the 10-year period, and it increased irregularly from 58.2 percent in 1975 to an estimated 65.6 percent in 1984, the highest level of the period. While total stocks have remained relatively constant throughout the

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48/ Id. at 21.
49/ Report at A-66.
50/ Report at A-47-48.

period and show no indication of increasing significantly, stocks under loan have increased and so have grower assessments under the no-net-cost program. 51/

The above information suggests that imports may be interfering with the cigar filler and binder program, but three other important factors compel me to conclude otherwise. First, much of the imported cigar filler and binder tobaccos are imported because of their unique tastes or other properties not available in domestically produced cigar filler and binder tobaccos. 52/ These differences suggest that most imported cigar filler and binder tobacco is not readily substitutable for domestic cigar filler and binder tobacco, but rather complements such domestic tobacco. 53/ Second, much of such imported tobacco is higher priced than the domestic tobaccos used for similar purposes. 54/ Third, domestic growers of cigar filler and binder tobacco indicated at the public hearing that they were able to raise their prices, and they did not indicate that they were experiencing economic difficulties. 55/ This suggests that imports are not adversely affecting grower profits. In view of these additional factors, I conclude that cigar filler and binder tobacco is not being and is not practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, USDA's programs for such tobaccos.

51/ Report at A-40-41, A-50-51, A-66.
52/ Hearing transcript at 301-02, 308-09, 312-13.
53/ This is in marked contrast to imported flue-cured and burley tobaccos, which are generally substitutable for domestic flue-cured and burley tobaccos.
54/ Hearing transcript at 305.
55/ Hearing transcript at 295.

Remedy

Having found that imports of flue-cured and burley tobacco are practically certain to be imported under such conditions and in such quantities as to materially interfere with USDA's programs for such tobaccos, I am recommending that the President impose a quota of 64.4 million pounds per crop year (July 1-June 30, farm-sales weight) on imports of flue-cured tobacco, and that he impose a quota of 99.9 million pounds per crop year (October 1-September 30, farm-sales weight) on imports of burley tobacco.

I have based these quotas on import levels and import penetration during the period 1977-81. Imports were not, in my view, materially interfering with USDA programs during that period. In arriving at these quotas, I have taken into account the fact that apparent domestic consumption of flue-cured and burley tobaccos has declined in recent years and have adjusted the import levels accordingly. I also believe that the years 1977-81 constitute an appropriate representative period for imports within the meaning of section 22(b) and note that these quotas would permit the entry of considerably more flue-cured and burley tobaccos than the minimum level to which section 22(b) permits imports to be reduced.

In deciding what form of remedy to recommend, I also considered the feasibility of imposing fees on imports of flue-cured and burley tobaccos. However, I rejected that approach in view of uncertainties about the effectiveness of such fees. It appears that any fees collected would be subject to refund under the drawback and substitution-drawback provisions of the customs laws.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 10, 1984, the United States International Trade Commission received a letter from the President directing it to make an investigation under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), to determine whether flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, wherever classified in the Tariff Schedules of the United States (TSUS), are practically certain to be imported under such conditions and in such quantities as to materially interfere with the tobacco price support and production adjustment programs now conducted by the U.S. Department of Agriculture (USDA). 1/

In response to the President's request, the Commission instituted the present investigation, No. 22-47, on October 5, 1984, to determine whether flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, as provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the TSUS, are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support and production adjustment programs for tobacco of the USDA. Notice of the institution of the investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 11, 1984 (49 F.R. 39926). 2/ The public hearing was held on January 3 and 4, 1985. 3/ The Commission voted on this investigation on February 1, 1985.

Previous Commission Investigation

On March 5, 1981, the Commission, at the request of the President, 4/ instituted an investigation (No. 22-43) under section 22 to determine whether tobacco, provided for in Tariff Schedules of the United States Annotated (TSUSA) items 170.3210, 170.3500, 170.6040, and 170.8045, 5/ was being or was practically certain to be imported into the United States under such conditions and in such quantities as to render ineffective, or materially interfere with, the tobacco program of the USDA, or to reduce substantially the amount of any product being processed in the United States from such

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1/ A copy of President Reagan's letter directing the Commission to make an immediate investigation under section 22 is presented in app. A. On Oct. 2, 1984, the Commission received a letter from USDA detailing which TSUS items would be appropriate to include in the scope of the Commission's investigation. This letter, from Mr. Leo Mayer, Foreign Agricultural Service (FAS), to Chairwoman Stern, is also presented in app. A.

2/ A copy of the Commission's notice of institution is presented in app. B.

3/ A list of witnesses appearing at the hearing is presented in app. C.

4/ The letter from President Carter was dated Jan. 18, 1981. The investigation was not instituted by the Commission until the later date pursuant to a request by the Reagan administration.

5/ These TSUSA items covered flue-cured and burley tobacco only.

domestic tobacco (46 F.R. 16162, Mar. 11, 1981). On August 4, 1981, the Commission found in the negative in that investigation. 1/

Description and Uses

Tobacco (Nicotiana tabacum) is a tall, erect plant cultivated as an annual for its leaves, which are prepared for use in smoking or chewing. The average height of the plant of the more widely cultivated varieties ranges from 4 to 6 feet. There are marked differences in the number of leaves per plant and the size, shape, arrangement, venation, color, and other leaf characteristics by plant strain variety. In general, the number of leaves per plant ranges from 20 to 30, while leaf size ranges from 2 inches to 30 inches in length, with corresponding differences in width.

The USDA designates seven classes of tobacco grown in the United States. Differences between classes come chiefly from variations in soils and climate, varieties of seed, cultural practices, and curing methods. The seven classes are flue-cured, fire-cured, air-cured, cigar filler, cigar binder, cigar wrapper, and miscellaneous. Three classes (flue-, fire-, and air-cured) are named on the basis of the method used in curing. Three others (cigar filler, cigar binder, and cigar wrapper) are named on the basis of their traditional use in cigars.

Each class of tobacco, with the exception of miscellaneous, comprises two or more types. Differences between types include color, body, and response to aging and fermentation. As growing and curing techniques are generally similar for all types within a class, differences are attributable to soil or climatic factors. In some instances, such as flue-cured tobacco, the different types are so similar that the type designation applies only to a certain marketing area.

The classes of tobacco grown in the United States, their principal use, production volume, and the States in which they are grown, are presented in table 1.

Flue-cured tobacco is the class most commonly produced in the United States. Flue-cured leaf ranges from reddish orange to bright yellow in color and is characterized by its light body, fine, oily texture, and mild and somewhat aromatic taste. As the name implies, this tobacco is heat-cured in airtight curing barns heated by a system of flues. USDA reports that about 95 percent of domestic flue-cured leaf consumed in the United States in 1984 was used in the production of cigarettes. Marketings of flue-cured tobacco in recent years have averaged about 900 million pounds, of which about half was exported.

As shown in table 1, the class of air-cured tobacco consists of two subgroups, light air-cured and dark air-cured. Burley is one of two types of light air-cured tobacco and is second to flue-cured in terms of production in

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1/ The Commission's findings and recommendations, statements, and report are included in Certain Tobacco: Report to the President on Investigation No. 22-43 Under Section 22 of the Agricultural Adjustment Act, as Amended, USITC Publication 1174, August 1981.

Table 1.--Classes of tobacco: Production, principal use, and States in which grown, 1984

Class	Production		Principal use	States in which grown
	Quantity	Share of total		
	Million pounds	Percent		
Flue-cured (types 11-14)	856.3	49.3	cigarettes	VA, NC, SC, and GA.
Air-cured:				
Light air-cured:				
Burley (type 31)	729.9	42.1	cigarettes and pipe tobacco	KY, TN, OH, IN, VA, NC, WV, and MO.
Maryland (type 32)	41.6	2.4	cigarettes	MD.
Dark air-cured (types 35-37)	17.6	1.0	chewing tobacco and snuff	KY, TN, and VA.
Fire-cured (types 21-23)	51.9	3.0	snuff and pipe tobacco	VA, KY, and TN.
Cigar filler (types 41-44 and 46)	18.5	1.1	cigars	PA, OH, and PR.
Cigar binder (types 51 and 52 and 54 and 55)	17.5	1.0	chewing tobacco and cigars	CT, MA, and WI.
Cigar wrapper (type 61)	1.8	0.1	cigars	CT and MA.
Miscellaneous domestic, Perique (type 72)	0.1	1/	fancy smoking blends	LA.

1/ Less than 0.1 percent.

Source: Compiled from official statistics of the United States Department of Agriculture.

the United States. Burley tobacco is light and papery, ranging from tan to reddish in color. It is readily combustible, and its elastic (springy) quality improves the porosity of the cigarette blend. Burley is relatively high in nicotine and substantially free of sugar. The highly absorbent character of the leaf makes it an ideal carrier for the "casing" or flavoring

compounds used in the manufacture of cigarettes. Burley is slowly air-cured in freely ventilated barns, with heat used only when needed to maintain humidity in proper balance. In 1984, about 92 percent of the domestic burley used in the United States was consumed in the production of cigarettes. Marketings in recent years have averaged nearly 700 million pounds, with about 20 percent being exported.

The second type of light air-cured tobacco is Maryland. This tobacco is produced in southern Maryland and is cured under natural atmospheric conditions, usually in freely ventilated barns. Maryland tobacco is considered to have ideal burning qualities for use in cigarette blends. Production in recent years averaged 42 million pounds, of which about 20 percent was exported.

Dark air-cured tobacco is the second subgroup of air-cured tobacco. This type is medium to heavy-bodied and ranges from light to medium brown in color. It is used mainly for chewing tobacco and snuff. Production in recent years has been about 17 million pounds, and exports have amounted to about 10 percent of this total.

Fire-cured tobacco is medium to heavy in body, light to dark brown in color, and strong in flavor. It is so-called because of the smoky flavor and aroma it receives from "firing" it over open fires in barns. This tobacco is primarily used for making snuff, roll and plug chewing tobacco, and heavy smoking tobacco. Production currently amounts to around 40 million pounds annually, and more than half this production is exported.

The three cigar classes of tobacco are classified by USDA according to their traditional usage. It should be noted, however, that each class may be used in applications generally fulfilled by one or both of the other classes. With the exception of a small portion of the wrapper class (which is cured with heat), all three classes of cigar tobacco are dark air-cured.

The first such class, cigar filler, is used in the core or body of the cigar. For this purpose, the principal qualities considered desirable are flavor, aroma, and burning quality. Cigar filler produced in the United States ranges from mild to heavy in body, depending on the location of the farm. For example, that grown in Pennsylvania and Ohio is relatively mild, while that grown in Puerto Rico is medium to heavy. Marketings in recent years have averaged about 20 million pounds.

Cigar binder, the second class, was originally used for binding the bunched filler into the form and shape of the cigar. Natural leaf binders must have a good burning quality, aroma, and elasticity. However, practically all cigars now use a reconstituted tobacco sheet for the inner binder. 1/ As a result, loose-leaf chewing tobacco is now the principal use for this class of tobacco. As with cigar filler, marketings have recently averaged 20 million pounds.

1/ Reconstituted tobacco sheet, also referred to as homogenized sheet tobacco, is made by grinding tobacco leaf and stems into fine powder and then moistening the mixture with an adherent. The mixture is then rolled into thin sheets.

Cigar wrapper tobacco is used principally as the outside cover on cigars. For this use the leaves must be elastic, free of injury, and uniform in color and have good burning qualities. The leaves should also be very thin, smooth, and of fine quality. In order to protect the leaves against extremes of weather and sunlight, many fields of cigar wrapper are enclosed by a framework covered with cheesecloth, which acts as a screen. Cigar wrapper accounts for less than 1 percent of U.S. production of tobacco.

The only significant tobacco in the miscellaneous class is Perique (type 72). Perique is grown in a small part of St. James Parish in Louisiana and is noted for its pleasing aroma. This tobacco is used in blends in the manufacture of fancy smoking tobacco.

The major use for tobacco is cigarettes, and about 90 percent of the tobacco grown in the United States is used for this purpose. Three types of domestic cigarette leaf tobacco (flue-cured, burley, and Maryland) and one general type of foreign leaf (oriental) are usually blended in the production of U.S. cigarettes. Although different brands of cigarettes vary in the proportions of their tobacco components, flue-cured tobacco accounts for approximately 40 to 50 percent of the tobacco used in the production of a cigarette. Burley accounts for 30 to 40 percent, Maryland for 1 to 2 percent, and oriental for 15 to 20 percent. 1/ As previously mentioned, other uses for tobacco are cigars, snuff, chewing tobacco, and pipe smoking tobacco.

The imported tobaccos covered by this investigation are flue-cured, burley, dark air-cured, and fire-cured, as provided for in the TSUS items specified in the letter from USDA. For purposes of analysis in this report, imported flue-cured, burley, and fire-cured tobaccos may be compared with the similarly named domestic tobaccos. USDA has stated that it considers the dark air-cured tobacco specified in the letter from the President in its generic, world wide meaning. 2/ In such a context, this type of tobacco includes cigar binder and cigar filler tobaccos, which are cured by the dark air-curing method. Therefore, under this interpretation, imported dark air-cured tobacco is comparable to the types of tobacco produced in the United States and is designated by USDA as dark air-cured tobacco, cigar filler tobacco, and cigar binder tobacco. 3/

U.S. Customs Treatment

Tariff treatment

The imported tobaccos under investigation are classified in TSUS items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80. Imports under these items are presently subject to no quantitative limitations. The rates of duty currently applicable to imports are shown in

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1/ Oriental tobacco, also called Turkish tobacco, is not produced in the United States and is not covered by this investigation. There are no imports of Maryland-type tobacco.

2/ Transcript, p. 183.

3/ Even though cigar wrapper tobacco is produced by the dark air-cured method, it is not authorized by law to receive support and is not included in the scope of this investigation.

table 2. Imports of tobacco, if they are the product of designated beneficiary countries, are eligible for duty-free entry under the Caribbean Basin Initiative (CBI). 1/

Filler tobacco, provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, and 170.45, is tobacco essentially in leaf form other than wrapper tobacco. 2/ Types of tobacco that enter under these items include, but are not limited to (1) pieces of dark air-cured cigar wrapper not suitable for use as wrapper (items 170.20 and 170.25), (2) flue-cured and burley leaf tobacco used in the production of cigarettes (items 170.32 and 170.35), (3) cigar tobacco leaf (generally dark air-cured) used mainly in the body or core of cigars and leaf that is used to bind the body or core (items 170.40 and 170.45), (4) and fire-cured and dark air-cured tobacco leaf generally used in the manufacture of chewing tobacco, snuff, and smoking tobacco (items 170.32, 170.35, 170.40, and 170.45). 3/

Tobacco stems, provided for in item 170.50, are the midribs of the tobacco leaves. These are byproducts from the stripping or stemming of tobacco before use in the production of cigars, cigarettes, and other tobacco products. Stems of fire-cured tobacco are ground for use in snuff. Stems of cigar tobacco and of some cigarette tobacco are reduced to a powder (item 170.55) and used to a limited extent as components in homogenized tobacco sheet. Flue-cured and Maryland tobaccos are often components of tobacco sheet that is shredded and then used to a limited degree in cigarettes. When finely ground, tobacco stems are also used in mixed fertilizers to make the mixture flow easily and to provide organic potash.

Scrap tobacco (item 170.60) includes cigar clippings (the waste of cigar manufacture) and particles of leaf which are the residual of tobacco sorting and packing operations. Ground tobacco, such as that used in the manufacture of homogenized wrapper or binder sheet, is not considered to be scrap for tariff purposes.

The most significant commercial products classifiable in item 170.80 as "tobacco, manufactured or not manufactured, not specially provided for" are smoking tobacco and chewing tobacco. Finely ground tobacco for use in making

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1/ The CBI is a program of nonreciprocal tariff preferences granted by the United States to developing countries in the Caribbean Basin area to aid their economic development by encouraging greater diversification and expansion of their production and exports. The CBI, as enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation No. 5133 of Nov. 30, 1983, applies to merchandise entered or withdrawn from warehouse for consumption on or after Jan. 1, 1984, and is scheduled to remain in effect until Sept. 30, 1995. It provides duty-free entry to eligible articles imported directly from designated countries in the Caribbean Basin area.

2/ Homogenized tobacco sheet that is not suitable for use as wrapper and is thus used as binder is dutiable at the same rate as stemmed filler tobacco (item 170.45).

3/ This analysis is based on examination of Customs documents, data obtained from questionnaires, and staff discussions with Customs import specialists, USDA officials, tobacco importers, and manufacturers.

Table 2.--Filler tobacco, scrap tobacco, tobacco stems, and tobacco manufactured or not manufactured, not specially provided for: U.S. rates of duty, by TSUS items, 1980-87

(Per pound)

TSUS item No.	Description	Pre-MTN 1/ col. 1 rate of duty 2/	Staged col. 1 3/ rate of duty effective with respect to articles entered on or after Jan. 1--			
			1980	1981	1982	1983
	Filler tobacco mixed or packed with over 35 percent wrapper:					
170.20	Not stemmed	90.9¢	36¢	36¢	36¢	36¢.
170.25	Stemmed	154.8¢	4/	4/	4/	4/
	Filler tobacco not mixed and not packed with wrapper tobacco, or mixed or packed with 35 percent or less of wrapper tobacco:					
	Cigarette leaf:					
	Not stemmed:					
170.32	Other than oriental or Turkish type	12.75¢	4/	4/	4/	4/
170.35	Stemmed	45¢	41¢	38¢	35¢	32¢.
	Other filler tobacco including cigar leaf:					
170.40	Not stemmed	16.1¢	4/	4/	4/	4/
170.45	Stemmed	23¢	20¢	20¢	20¢	20¢.
	Tobacco stems:					
170.50	Not cut, not ground, and not pulverized	Free.	4/	4/	4/	4/
170.60	Scrap tobacco	16.1¢	4/	4/	4/	4/
170.80	Tobacco, manufactured or not manufactured, not specially provided for	17.5¢	4/	4/	4/	4/

See footnotes at end of table.

Table 2.--Filler tobacco, scrap tobacco, tobacco stems, and tobacco manufactured or not manufactured, not specially provided for: U.S. rates of duty, by TSUS items, 1980-87--Continued

(Per pound)

TSUS item No.	Description	Staged col. 1 3/ rate of duty effective with respect to articles entered on or after Jan. 1--				Col. 2 rate of duty
		1984	1985	1986	1987	
	Filler tobacco mixed or packed with over 35 percent wrapper:					
170.20	Not stemmed	36¢	36¢	36¢	36¢	$2.275.
170.25	Stemmed	4/	4/	4/	4/	$2.925.
	Filler tobacco not mixed and not packed with wrapper tobacco, or mixed or packed with 35 percent or less of wrapper tobacco:					
	Cigarette leaf:					
	Not stemmed:					
170.32	Other than oriental or Turkish type	4/	4/	4/	4/	35¢.
170.35	Stemmed	29¢	26¢	23¢	20¢	50¢.
	Other filler tobacco including cigar leaf:					
170.40	Not stemmed	4/	4/	4/	4/	35¢.
170.45	Stemmed	20¢	20¢	20¢	20¢	50¢.
	Tobacco stems:					
170.50	Not cut, not ground, and not pulverized	4/	4/	4/	4/	Free.
170.60	Scrap tobacco	4/	4/	4/	4/	35¢.
170.80	Tobacco, manufactured or not manufactured, not specially provided for	4/	4/	4/	4/	55¢.

1/ Multilateral Trade Negotiations (MTN).

2/ Rate effective prior to Jan. 1, 1980.

3/ The rates of duty in col. 1 are most-favored nation rates, and are applicable to imported products from all countries except those Communist countries enumerated in general headnote 3(f) of the TSUS, to which the col. 2 rates of duty apply.

4/ Rate not modified in the Tokyo round of the MTN.

Source: Compiled from the Tariff Schedules of the United States.

homogenized tobacco sheet is also classified in this item. Smoking tobacco includes pipe smoking tobacco; prepared, shredded, or granulated tobacco for use by consumers in roll-your-own cigarettes; and blended and flavored tobacco strips for use in factory production of cigarettes.

The ad valorem equivalents of the rates of duty for the TSUSA items under which imports of flue-, fire-, and dark air-cured tobacco and burley tobacco (in unmanufactured form) entered the United States during January-September 1984 are shown in the following tabulation, along with the value of such imports:

TSUSA item No.	Ad valorem equivalent rate for imports	Value of imports
	Percent	1,000 dollars
170.2000	13.6	36
170.2500	90.0	176
170.3210	13.6	15,104
170.3230	13.6	18,058
170.3240	13.9	2,365
170.3500	18.4	113,515
170.4000	13.9	5,953
170.4500	10.6	8,297
170.5000	free	2,908
170.6020	20.0	27,286
170.6040	27.8	6,505
170.8045	10.8	8,132

Recent Customs decisions on certain machine-threshed tobacco and legislation relating to import data

On September 29, 1979, the U.S. Customs Service (Customs) published a notice in the Federal Register (44 F.R. 56089) indicating that Customs had received a petition from an American producer of flue-cured tobacco requesting that certain imported machine-threshed cigarette leaf tobacco, then classified by Customs under the provision for scrap tobacco (TSUS item 170.60), be reclassified under the provision for stemmed cigarette leaf filler tobacco (TSUS item 170.35).

On May 20, 1980, Customs published a notice in the Federal Register (45 F.R. 15378) stating that it had concluded, after review, that the subject merchandise was neither scrap tobacco nor was it in leaf form. In Treasury Decision (T.D.) 80-132 (effective June 27, 1980), Customs concluded that the tobacco had been processed to the extent that it may be considered a partially manufactured product, classifiable under the provision for tobacco, manufactured or not manufactured, not specially provided for, in TSUS item 170.80.

On June 9, 1983, Customs issued a notice of a change in practice in the classification of cigarette leaf tobacco which has been processed by threshing, shredding, and other acts of manipulation. In Treasury Decision

83-148 (effective Aug. 27, 1983), Customs concluded that the subject tobacco was not substantially advanced from the form of stemmed cigarette leaf filler tobacco and would therefore be correctly classified under TSUS item 170.35 (stemmed cigarette filler). 1/

The Dairy and Tobacco Adjustment Act of 1983 (Public Law 98-180), enacted on November 29, 1983, provided that imported tobaccos, except for oriental (cigarette filler) and cigar tobaccos, be inspected for grade and quality to the extent feasible. The legislation resulted in USDA collecting data on the quantity of general imports of flue-, fire-, and dark air-cured and burley tobaccos, by grade, beginning July 13, 1984.

USDA Program for Tobacco

This section of the report first discusses the USDA program for tobacco in general and then provides data on the recent operations of the programs for those types of tobacco believed by USDA to be affected by imports. These types include flue-cured (types 11-14), burley (type 31), cigar filler (types 42-44 and 46) and cigar binder (types 51-55) tobaccos. Additionally, data are presented on dark air-cured (types 35 and 36) and fire-cured (types 21-23) tobaccos. 2/

General description of the program

The USDA program for tobacco is administered through the use of acreage allotments, marketing quotas, and price support loans. With the exceptions of cigar wrapper and Perique, all types of tobacco grown in the United States are authorized for support. Voters 3/ determine by periodic referendums whether to participate in the USDA support program for their particular type of tobacco. Approval of the program requires a two-thirds majority of eligible voters, and compliance with the rules and regulations of the program is mandatory once approved. A summation of recent referendums relating to the various kinds of tobacco that are part of the program is presented in table 3.

1/ This change in classification resulted in an increase in the duty on the subject tobacco from 17.5 cents per pound to 32.0 cents per pound. Before the change in classification took effect, importers took advantage of the lower rate of duty under TSUS item 170.80 and entered significant quantities of this tobacco for consumption, resulting in a sharp increase in imports during August 1983. Transcript, p. 458.

2/ Although dark air-cured and fire-cured tobaccos were specified in the letter from the President, USDA has stated that imports are not interfering with the programs for these types. USDA prehearing brief, pp. 22 and 23.

3/ With some exceptions, eligible voters are all persons having a financial interest in the production of tobacco. This may include allotment holders who have leased out their allotments as well as the actual growers of the tobacco.

Table 3.--Marketing quota referendums, by kinds of tobacco

Kind (type number in parentheses) and basis of quotas 1/	Last referendum			Next referendum		
	Date	Crops to which applicable	Number voting	Percentage voting in favor of quota 2/	Probable date 3/	Crops to which applicable
Flue-cured (11-14)						
Acreage-poundage	Dec. 16, 1982	1983-85	112,314	93.7	Dec. 1985	1986-88
Burley (31)						
Poundage	Feb. 28-March 3, 1983	1983-85	221,268	97.0	Feb. 1986	1986-88
Maryland (32)	Feb. 28-March 3, 1983	1983-85	2,091	7.4	Feb. 1986 4/	1986-88
Fire-cured (21-23)						
Acreage	Feb. 22-26, 1982	1982-84	10,041	94.9	Feb. 1985	1985-87
Poundage	Feb. 28-March 3, 1983	1983-85	10,457	18.8	Feb. 1986 5/	1986-88
Dark air-cured (35-36)						
Acreage	Feb. 22-26, 1982	1982-84	10,146	94.9	Feb. 1985	1985-87
Poundage	Feb. 28-March 3, 1983	1983-85	12,253	38.6	Feb. 1986 5/	1986-88
Va. sun-cured (37)	Feb. 28-March 3, 1983	1983-85	310	91.6	Feb. 1986	1986-88
Pa. filler (41)	Feb. 28-March 3, 1983	1983-85	955	17.5	Feb. 1986	1986-88
Cigar binder (51-52)	Feb. 27-March 1, 1984	1984-86	101	53.7	Feb. 1987	1987-89
Cigar filler and binder (42-44, 53-55)	Feb. 27-March 1, 1984	1984-86	3,393	82.4	Feb. 1987	1987-89

1/ Quota based on acreage allotments unless otherwise specified.
2/ A majority of two-thirds or more of farmers voting is required for marketing quotas to become effective under the acreage allotment program or acreage-poundage program.
3/ Probable month, but referendums can occur earlier if warranted by pertinent considerations.
4/ Unless at least a fourth of the growers petition the Secretary of Agriculture in the interim.
5/ If Secretary of Agriculture determines producers and other interested persons favor poundage quotas.

Source: Tobacco: Outlook and Situation Report, June 1984, p. 25.

Marketing quotas and acreage allotments.--U.S. production of tobacco under the program is controlled by marketing quotas and/or acreage allotments, depending on the type of tobacco. Flue-cured and burley tobaccos are subject to marketing quotas. Flue-cured tobacco is also subject to an acreage allotment program, along with fire-cured, dark air-cured, cigar binder, and cigar filler tobaccos. The marketing quota specifies the quantity of tobacco that may be sold without penalty in a given marketing year from a qualifying farm, while the acreage allotment program specifies the maximum acreage that may be planted in tobacco in a given year on a qualifying farm.

To be eligible for a quota and/or an allotment, a farm must have either established a historical base of production traceable to the 1930's, when the tobacco program began, or have been assigned a base at a later date by the Agricultural Stabilization and Conservation Service (ASCS). The ASCS provides each land owner official notification of the quota and/or allotment applicable to his or her farm for each marketing year. An owner of a quota may produce the farm's quota on his or her farm or, by use of a lease, transfer part or all of his or her farm's allotment and/or quota to another farm within the county within which his or her farm lies. The rights to produce and market flue-cured, fire-cured and dark air-cured tobaccos may be sold. 1/ However, the rights to produce burley, cigar filler, and cigar binder tobaccos are assigned to a particular farm and may not be sold independently of the land. 2/

Each year the U.S. Secretary of Agriculture determines and announces the national marketing quotas for flue-cured and burley tobaccos, as well as the national acreage allotments for flue-cured, fire-cured, dark air-cured, cigar binder, and cigar filler tobaccos. 3/ The national quotas and acreage

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1/ Includes Virginia sun-cured (type 37).

2/ Legislation (Public Law 97-218) was signed on July 20, 1982, that required corporations, utilities, educational and religious institutions, and other entities owning flue-cured tobacco allotments but not significantly involved in farming to sell their allotments by Dec. 1, 1984. This legislation was later amended, changing the deadline for the sale of allotments to Dec. 1, 1985, and exempting those entities where individuals were the beneficiaries such as trusts. Further legislation (Public Law 98-180, enacted on Nov. 29, 1983) abolished the lease and transfer of flue-cured tobacco quotas, beginning in 1987. This legislation also reduced the amount of the quota on burley that can be transferred to a single farm from 30,000 pounds to 15,000 pounds.

3/ This is the quantity of tobacco estimated to be used during the next marketing year, adjusted by an amount the Secretary determines is desirable to maintain an adequate supply, or that is deemed necessary to reduce the supply, in an orderly way, to the reserve supply level. The law defines the reserve supply level as equal to 105 percent of the normal supply. Normal supply is defined as 275 percent of a normal year's domestic consumption of U.S.-produced tobacco plus 165 percent of a normal year's exports. The data for a normal year are determined by using the average of the data for each of the 10 immediately preceding years, adjusted for trends. After the reserve supply level is determined, it is compared with the total supply, which consists of the estimated production for the current marketing year plus carryover of U.S.-produced tobacco. If the total supply varies from the reserve supply, the Secretary is authorized to act within prescribed limits to reduce or increase the national marketing quota as, in the Secretary's discretion, conditions warrant.

allotments are a projection of the production needed to meet domestic and export demand and to provide for reasonable carryover stocks. The formulas used to derive the national quotas and allotments are specified by the Agricultural Adjustment Act of 1938, as amended. The national quota or acreage allotment for each type of tobacco determines marketing quotas or acreage allotments for individual farms as each tobacco farm, on the basis of its historical production, is given a pro rata share of the national quota or allotment. 1/

National quotas for flue-cured and burley tobacco are adjusted to reflect overmarketings and undermarketings of the previous year's effective quota. These revised quotas are called effective quotas and indicate the actual quantity of tobacco that may be marketed in a given year. The Secretary of Agriculture is given less flexibility in determining the national allotments for fire-cured, dark air-cured, cigar filler, and cigar binder tobaccos. In these programs, the national acreage allotments are calculated to allow for the production of such tobacco as is needed to equal the difference between ending stocks and the reserve supply level.

Once the national quota or allotment is calculated for a given type of tobacco, the Secretary of Agriculture may, to varying degrees, adjust this amount. These allowable adjustments are shown below:

Type	Allowable adjustments
Flue-cured	not less than 15 percent below estimated disappearance
Burley	maximum reduction of 10 percent below (1) disappearance or (2) the previous year's quota
Fire-cured, dark air-cured, cigar filler, and cigar binder	after acreage is converted to pounds, the allotments may be increased by up to 20 percent to prevent undue restrictions of marketings

1/ A farm producing flue-cured or burley tobacco can market up to 10 percent more than its allotment (overmarketings), but the excess is deducted from the following year's quota. If less than the quota is marketed in any year (undermarketings), the difference is added to the farm's quota for the following year. Marketings above the 10 percent allowable excess are subject to penalty charges. The penalty is equal to 75 percent of the average market price for the previous year, a rate that effectively discourages excess production. No such provision exists for fire-cured, dark air-cured, or cigar binder and filler tobaccos.

Price support.--The Agricultural Act of 1949, as amended, provides that when marketing quotas are in force, price support shall be made available to any producer who is unable to sell his or her tobacco for at least the loan level. The formula used to calculate the average loan (price support) level was originally based on parity. 1/ Until 1960, tobacco was supported at 90 percent of parity. Support levels for the 1961-81 crops were determined by multiplying the 1959 support level by an adjustment factor that measured changes in costs. 2/ This is now known as the basic formula.

In 1982, the No-Net-Cost-Tobacco-Program Act (Public Law 97-218) allowed the Secretary of Agriculture discretion to lower the support rate for grades of tobacco in surplus supply. However, the overall average support level had to reflect at least 65 percent of the increase that the basic formula allows. 3/ All support levels were frozen by Congress for 1983 (Public Law 98-59).

In 1984, the support level for flue-cured tobacco was again frozen at the 1982 level (Public Law 98-180). Support levels for all other types of tobacco were to be set so as not to narrow their normal differential from the support level for flue-cured tobacco. The Secretary of Agriculture kept levels for all types of tobacco, except Puerto Rican, at their 1982 levels.

For the 1985 crop, flue-cured tobacco will be frozen at the 1982 level if the basic formula increases by less than 5 percent, which it is projected to do. For burley tobacco, the "65 percent of the increase provision" applies, and the Secretary of Agriculture has the discretion to limit the increase in support to 65 percent of the increase under the basic formula. 4/ Finally, supports for other types of tobacco will be determined as they were in 1984.

Once the average support level is determined for a particular type of tobacco covered by the program, USDA, through ASCS, sets the price support that is applicable to each grade of that type. Allocation of price support among grades is accomplished by using records of the proportion of each year's crop going into each grade. 5/ A 10-year average of these proportions is used when allocating price support among grades for all types of tobacco except

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1/ The "parity price" of individual commodities is determined by the Secretary of Agriculture according to a statutory formula and is, in effect, the price that a certain quantity of a specific commodity would have to command in order to give the grower the same equivalent purchasing power as existed during a statutory base period. For tobacco, the base period is August 1919-July 1929.

2/ This adjustment factor was derived by dividing the average of the prices paid (parity) index of the previous 3 years by the 1959 parity index.

3/ In 1982, the 65 percent provision was used for burley, Virginia fire-cured, and dark air-cured tobaccos.

4/ An example of how the price support level is determined, using preliminary data applicable to the 1985 burley crop, is presented in app. D.

5/ If changes are deemed necessary in grade specifications or in grades eligible for support, an adjustment in the average is made by USDA after receiving advice from interested parties. For example, in 1980, price support was eliminated on eight grades of lower quality flue-cured tobacco, which USDA considered to be in limited demand.

flue-cured, in which case a lesser number of years is being used. 1/ With the exception of flue-cured tobacco, the sum of the 10-year proportions multiplied by the support price on each grade is expected to equal the average support price for that kind of tobacco, in accordance with the legislative formula. However, the Secretary is given infinite discretion to allocate support among grades on the basis of market factors.

Price support is extended by means of nonrecourse loans made through producer cooperative associations, with financing by the Commodity Credit Corporation (CCC). 2/ When a bid for a farmer's tobacco is not at or above the loan rate, the farmer receives the loan rate and the tobacco is accepted by the appropriate cooperative association. The cooperative pledges the tobacco as security for the nonrecourse loan and borrows the money to pay the farmer from the CCC. The cooperative handles all operations related to making loan advances to farmers and receiving, processing, storing, and eventually selling the tobacco under loan. Under usual conditions, tobacco placed under loan with the association is marketed over a period of time on the basis of prices established jointly by the CCC and the association. Prior to 1982, sale proceeds were applied toward repayment of the principal first and then the interest on the loan. Beginning in 1982, assessment payments liquidate loan values consistent with generally accepted accounting practices for borrowing liquidations. 3/ Net gains, if any, are distributed to the producers on the basis of participation.

Prior to 1982, losses on sales of tobacco taken under loan were funded by the Government. As mentioned, the No-Net-Cost-Tobacco Program was established in 1982. In order to be eligible for price support, producers of all types of tobacco must contribute to a fund or account to ensure that the loan program operates at no net cost to the Government (excluding administrative expenses). This assessment covers interest expenses associated with loan-stocks, storage and processing costs for such tobacco, and costs incurred by the cooperatives while administering the stocks. Growers pay assessments at the time they sell their tobacco or place it under loan with the association. The assessment rate is set yearly and is based on the quantity of tobacco under loan, interest rates, factors affecting loan stocks, and expected loan takings, among others. 4/ For all types of tobacco except flue-cured, the growers' contributions are retained by the CCC. The flue-cured fund is handled by the Flue-Cured Tobacco Cooperative Stabilization Corporation.

1/ The lesser number of years is being used because of a problem with the data base. However, flue-cured data are being built to a 10-year base also.

2/ A nonrecourse loan absolves a producer from liability for any losses incurred from the sale of the tobacco by the producer association but provides that the producer is permitted to share in any profits.

3/ Interest rates are determined by the rate charged the CCC in obtaining its funds from the Department of the Treasury. Prior to 1981 the rates were fixed and established for the duration of the loan. Interest rates were 6 percent in 1975-77, 7 percent in 1978, 9 percent in 1979, and 11.5 percent in 1980. In 1981, a quarterly variable rate, based on the Treasury rate, was charged. Beginning on Jan. 1, 1982, a variable monthly rate was charged, with prior loans rolled into the succeeding year's Jan. 1 rate. Such rates were 12.25 percent in 1982, 9 percent in 1983, and 10 percent in 1984.

4/ An example of how the assessment rate is set is presented in app. D.

Individual programs for the types of tobacco covered by this investigation

Flue-cured (types 11-14).--Flue-cured tobacco, as mentioned, is the only class subject to both acreage allotments and marketing quotas. As shown in table 4, the acreage allotments for this tobacco declined irregularly and by 28 percent during 1979-84. During the same period, the effective quota fell by 22 percent, from 1.1 billion pounds to 832 million pounds. The effective quota will decline again in 1985, to 755 million pounds. The average support price for flue-cured tobacco rose from 129.3 cents in 1979 to 169.9 cents in 1982. As discussed earlier, the support price was frozen by law at this level during 1983 and 1984 and will remain unchanged in 1985. No-net-cost assessment rates were 3 cents per pound marketed in 1982 and 7 cents in 1983 and 1984. The Flue-Cured Stabilization Board has recommended an assessment rate of 25 cents per pound for 1985. 1/

Loan stocks of flue-cured tobacco, as of July 1, rose irregularly from 564 million pounds (farm sales weight 2/) in 1979 to 798 million pounds in 1984. In October 1984, 96 percent of the loan stocks were uncommitted.

USDA has stated that the CCC faces an ensured loss of about $450 million on the 1976-81 crop inventories. Additionally, if the October 29, 1984, price discounts 3/ are unsuccessful in moving flue-cured tobacco loan stocks, losses to the CCC could exceed $450 million and outlays in no-net-cost funds could be greater than $177 million. 4/

Burley (type 31).--The effective marketing quota for burley tobacco rose steadily from 648 million pounds in 1979 to 842 million pounds in 1981, and then declined irregularly to 697 million pounds in 1984. (table 5). During this period, the support rate increased from 133.3 cents per pound in 1979 to 175.1 cents per pound in 1982, where it remained through 1984. The no-net-cost assessment fee increased sharply from 1 cent per pound in 1982 to 9 cents per pound in 1984. USDA has stated that an assessment fee of about 20 cents per pound will be necessary in 1985 to cover carrying costs from the 1982-84 crops. 5/ Loan stocks of burley tobacco declined from 155 million pounds in 1979 to 0 in 1981 before increasing sharply to 369 million pounds in 1984.

USDA states that the burley price support program has lost about $344,000 on disposal of the 1981 crop inventory. USDA also states that growers face almost certain outlays under the no-net-cost program as disposal of the 1983 crop inventory (214.1 million pounds, $498 million principal, $42 million interest to date) could require price discounts exceeding the $100 million producers will have in their fund by the end of the 1984 season. 6/

1/ Transcript, p. 101.

2/ Farm sales weight, also known as green weight, is the weight of tobacco that is in the form normally marketed by farmers prior to being redried, prized, or processed.

3/ Transcript, p. 99.

4/ USDA prehearing brief, p. 14.

5/ Transcript, p. 102.

6/ USDA prehearing brief, p. 19.

Table 4.--Flue-cured tobacco: Acreage allotment, marketing quotas, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1985/86 1/

Year beginning June 1--	Acreage allotment	Marketing quotas		Average support rate	No-net-cost assessment	Beginning loan stocks			
		Basic	Effective			Quantity	Principal	Interest	Uncommitted as share of total
	Acres	Million pounds		Cents per pound		Million pounds, farm-sales weight	Million dollars		Percent
1979	563,313	1,095	1,069	129.3	2/	564.0	3/	3/	3/
1980	623,785	1,094	1,187	141.5	2/	554.4	815	3/	92.5
1981	603,000	1,013	1,111	158.7	2/	595.8	736	3/	74.8
1982	512,949	1,013	977	169.9	3	518.7	838	3/	85.9
1983	457,516	911	887	169.9	7	688.4	1,117	342.8	91.7
1984	404,726	804	832	169.9	7	797.5	1,259	423.5	96.3
1985	389,643	775	755	169.9	3/	3/	3/	3/	3/

1/ Beginning July 1 of the year indicated through June 30 of the following year.
2/ Not in effect.
3/ Unavailable.

Source: Compiled from data contained in USDA prehearing brief, table V-A, and data of the ASCS.

Table 5.--Burley tobacco: Marketing quotas, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Marketing quotas		Average support rate	No-net-cost assessment	Beginning loan stocks			
	Basic	Effective			Quantity	Principal	Interest	Uncommitted as share of total
	----Million pounds----		---Cents per pound---		Million pounds, farm-sales weight	----Million dollars----		--Percent--
1979	614	648	133.3	2/	155.4	3/	3/	3/
1980	614	769	145.9	2/	66.3	86.3	3/	4/
1981	660	842	163.6	2/	0	0	3/	-
1982	680	778	175.1	1	.7	1.3	3/	100.0
1983	647	641	175.1	5	226.1	529.8	36.7	49.2
1984	582	697	175.1	9	369.1	788.5	93.1	88.9

1/ Beginning Oct. 1 of year indicated through Sept. 30 of the following year.
2/ Not in effect.
3/ Unavailable.
4/ Less than 1 percent.

Source: Compiled from data contained in USDA prehearing brief, table V-B, and data of the ASCS.

Dark air-cured (types 35 and 36).--Acreage allotments for dark air-cured tobacco declined by 28 percent during 1979-84, from 13,298 acres to 9,616 acres (table 6). The support rate for this tobacco was increased from 80.0 cents in 1979 to 98.7 cents in 1981 and 105.7 cents in 1982, where it has remained since that time. The no-net-cost assessment was increased from 1 cent in 1982 to 3 cents in 1983 and 1984. Loan stocks of dark air-cured tobacco increased from 4.1 million pounds (farm sales weight) in 1979 to 10.2 million pounds in 1984.

USDA has stated "there is no convincing evidence that imports are materially interfering with the price support and production adjustment programs for dark air-cured tobacco." 1/

Fire-cured (types 21-23).--Acreage allotments for fire-cured tobacco fell irregularly from 37,539 acres in 1979 to 33,525 acres in 1984, or by 11 percent (table 7). Support rates for type 21 and types 22 and 23 increased during 1979-82, from 90.3 cents to 118.8 cents, and from 90.3 cents to 123.0 cents, respectively. Rates have remained frozen at 118.8 cents per pound for type 21 and 123.0 cents per pound for types 22-23 since 1982.

No-net-cost assessments were 2 cents per pound during 1982-84 for type 21, and rose from 1 cent per pound in 1982 to 2 cents per pound in 1983 and 1984 for types 22 and 23. Loan stocks of all types of fire-cured tobacco, as of October 1, declined irregularly from 13.8 million pounds in 1979 to 6.6 million pounds in 1984.

USDA has stated, "there is no convincing evidence that imports are materially interfering with the price support and production adjustment programs for fire-cured tobacco." 2/

Puerto Rican filler (type 46).--USDA has never established allotments or quotas for Puerto Rican tobacco, but all producers of such tobacco are eligible for price support. 3/ The support rate for Puerto Rican tobacco rose from 69.0 cents in 1979 to 90.9 cents in 1982 and 1983, before declining to 74.0 cents in 1984 (table 8). The no-net-cost assessment for this type of tobacco was 13 cents in 1982 and 52 cents in 1983 and 1984. Beginning loan stocks of Puerto Rican tobacco declined irregularly from 4.9 million pounds (farm sales weight) in 1979 to 4.0 million pounds in 1984.

Connecticut binder (types 51 and 52).--In February 1984, producers of Connecticut cigar binder tobacco disapproved marketing quotas for the 1984 crop. Under law, no price support is provided for any crop of tobacco for which marketing quotas have been disapproved.

Acreage allotments for Connecticut cigar binder tobacco declined from 3,700 acres in 1980 to 2,405 acres in 1983 (table 9). Had the program remained in effect, acreage would have been reduced further to 1,974 acres in 1984. The national average support level for this tobacco rose from 92.0

1/ USDA prehearing brief, p. 23.

2/ USDA prehearing brief, p. 22.

3/ Producers are eligible for support because they have never disapproved quotas or allotments.

Table 6.--Dark air-cured tobacco: Acreage allotment, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Acreage allotment	Average support rate	No-net-cost assessment	Beginning loan stocks			
				Quantity	Principal	Interest	Uncommitted as share of total
	Acres	--Cents per pound---		Million pounds, farm-sales weight	--Million dollars--		Percent
1979------	13,298	80.0	2/	4.1	3/	3/	3/
1980------	13,344	88.0	2/	5.6	19.4	3/	100
1981------	13,359	98.7	2/	6.8	5.0	3/	98
1982------	11,979	105.7	1	8.1	6.3	3/	98
1983------	9,615	105.7	3	13.8	13.4	2.4	93
1984------	9,616	105.7	3	10.2	7.4	2.9	98

1/ Beginning Oct. 1 of the year indicated through Sept. 30 of the following year.
2/ Not in effect.
3/ Not available.

Source: Compiled from data contained in the USDA prehearing brief, table V-I, and data of the ASCS.

Table 7.--Fire-cured tobacco: Acreage allotment, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Acreage allotment			Average support rate		No-net-cost assessment		Beginning loan stocks 2/			
	Type 21	Types 22-23	Total, types 21-23	Type 21	Types 22-23	Type 21	Types 22-23	Quantity	Principal	Interest	Uncommitted as share of total
		Acres		Cents per pound				Million pounds, farm-sales weight	Million dollars		Percent
1979	9,785	27,759	37,539	90.3	90.3	3/	3/	13.8	4/	4/	4/
1980	9,703	27,793	37,496	98.9	98.9	3/	3/	22.4	19.4	4/	99
1981	9,562	26,416	35,978	111.0	111.0	3/	3/	17.3	12.4	4/	96
1982	9,428	26,324	35,752	118.8	123.0	2	1	10.3	5.3	4/	73
1983	9,342	22,466	31,808	118.8	123.0	2	2	8.8	9.5	1.7	80
1984	8,751	24,737	33,525	118.8	123.0	2	2	6.6	5.8	1.6	99

1/ Beginning Oct. 1 of the year indicated through Sept. 30 of the following year.
2/ Includes types 21-23. Data unavailable for separate breakout for type 21.
3/ Not in effect.
4/ Unavailable.

Source: Compiled from data contained in the USDA prehearing brief, table V-H, and data of the ASCS.

Table 8.--Puerto Rican filler tobacco: Average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Average support rate	No-net-cost assessment	Beginning loan stocks			
			Quantity	Principal	Interest	Uncommitted as share of total
	Cents per pound		Million pounds, farm sales weight	Million dollars		Percent
1979	69.0	2/	4.9	3/	3/	3/
1980	75.7	2/	5.9	6.6	3/	95
1981	84.9	2/	6.5	7.7	3/	98
1982	90.9	13	5.0	7.0	3/	99
1983	90.9	52	4.1	6.4	2.4	99
1984	74.0	52	4.0	6.9	3.0	100

1/ Beginning Oct. 1 of year indicated through Sept. 30 of the following year.
2/ Not in effect.
3/ Not available.

Source: Compiled from data contained in USDA prehearing brief, table V-G, and data of the ASCS.

Table 9.--Connecticut cigar binder tobacco: Acreage allotment, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Acreage allotment	Average support rate	No-net-cost assessment	Beginning loan stocks			
				Quantity	Principal	Interest	Uncommitted as share of total
		----Cents per pound----		Million pounds, farm sales weight	---Million dollars----		Percent
1979	2/	92.0	3/	0.4	4/	4/	4/
1980	3,700	101.0	3/	.9	1.6	4/	97
1981	3,700	113.3	3/	.9	1.6	4/	83
1982	3,200	121.2	3	1.5	2.5	4/	90
1983	2,405	121.2	3	2.1	3.8	0.8	89
1984	5/ 1,974	6/	7/ 10	3.0	5.3	1.2	99

1/ Beginning Oct. 1 of year indicated through Sept. 30 of the following year.
2/ Quota limitations suspended.
3/ Not in effect.
4/ Not available.
5/ Not applicable since growers disapproved marketing quotas for the 1984 crop in February 1984. However, this is the allotment which the USDA would have imposed had the program remained in effect.
6/ Not applicable.
7/ Not in effect, but this is the assessment that would have been imposed had the program remained in effect.

Source: Compiled from data contained in the USDA prehearing brief, table V-F, and data of the ASCS.

cents in 1979 to 121.2 cents in 1982 and 1983. As mentioned, no support was provided for the 1984 crop. The no-net-cost assessment was 3 cents in 1982 and 1983, and a level of 10 cents had been proposed for 1984. Beginning loan stocks of Connecticut cigar binder tobacco increased irregularly from 400,000 pounds in 1979 to 3.0 million pounds in 1984.

Ohio filler (types 42-44).--The acreage allotment for Ohio filler tobacco declined from 3,800 acres in 1979 to 2,000 acres in 1984. The average support rate for this tobacco increased from 67.0 cents per pound in 1979 to 90.7 cents per pound in 1982-84 (table 10). The no-net-cost assessment for Ohio filler tobacco was increased from 2 cents in 1982 to 4 cents in 1983 and 8 cents in 1984. Loan stocks increased significantly from 900,000 pounds (farm sales weight) in 1979 to 2.5 million pounds in 1984.

USDA cites the high rate of loan placements and high combined inventory levels of Ohio filler and Wisconsin binder as evidence of interference with the program. 1/

Wisconsin binder (types 54 and 55) 2/.--The acreage allotment for Wisconsin binder decreased from 15,300 acres in 1979 to 9,500 acres in 1984 (table 11). During 1979-84, the average support rate for Wisconsin cigar binder tobacco was the same as that for Ohio cigar filler tobacco. The no-net-cost assessment for this tobacco differs by type: that for type 54 remained at 2 cents during 1982-84, while that for type 55 increased from 2 cents to 5 cents. Loan stocks of this tobacco increased from virtually none in 1979 to 8 million pounds in 1984.

U.S. Growers, Dealers, and Manufacturers

Tobacco growers

The production of flue-cured tobacco was allotted to about 184,000 farms in 1984, while about 313,000 farms were allotted burley quotas. The production of dark air-cured tobacco was allotted to about 19,000 farms, and about 18,000 farms were allotted fire-cured quotas. Approximately 6,000 farms were allotted cigar filler and cigar binder quotas. Some growers, however, use more than one quota through rental and lease arrangements. 3/ Because of these arrangements, USDA estimates that flue-cured tobacco is produced by about 45,000 farmers, burley by about 150,000 farmers, and fire-cured and dark air-cured each by about 14,000 farmers. USDA estimates that cigar filler and cigar binder are produced by about 5,000 farmers. USDA reports that the number of tobacco producers has declined in recent years and predicts a continuance of this trend. Additionally, it is predicted that tobacco quotas

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1/ USDA prehearing brief, p. 21.

2/ Type 53 tobacco, while technically included in this category, is not included in statistics as it is an extremely small item of production and there are no loan stocks.

3/ Flue-cured tobacco is generally produced in geographic areas that more readily lend themselves to mechanization than the areas in which the other types are produced. Thus, flue-cured growers are more likely to acquire multiple quotas through rental and leasing arrangements than growers of other types of tobacco.

Table 10.--Ohio cigar filler tobacco: Acreage allotment, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Acreage allotment	Average support rate	No-net-cost assessment	Beginning loan stocks			
				Quantity	Principal	Interest	Uncommitted as share of total
	Acres	----Cents per pound----		Million pounds, farm-sales weight	---Million dollars----		Percent
1979	3,800	67.0	2	.9	3/	3/	3/
1980	3,700	72.9	2/	.4	.3	3/	100
1981	3,500	81.8	2/	.4	.3	3/	100
1982	2,800	90.7	2	.2	.1	3/	100
1983	2,200	90.7	4	1.6	1.3	.1	59
1984	2,000	90.7	8	2.5	2.0	.3	100

1/ Beginning Oct. 1 of the year indicated through Sept. 30 of the following year.
2/ Not in effect.
3/ Unavailable.

Source: Compiled from official data of the USDA and data of the ASCS.

Table 11.--Wisconsin cigar binder tobacco: Acreage allotment, average support rate, no-net-cost assessment, and loan stocks, crop years 1979/80 to 1984/85 1/

Year beginning Oct. 1--	Acreage allotment	Average support rate	No-net-cost assessment		Beginning loan stocks			Uncommitted as share of total
			Type 54	Type 55	Quantity	Principal	Interest	
					Million pounds, farm-sales weight			
	Acres	---Cents per pound---				-Million dollars-		Percent
1979	15,300	67.0	2/	2/	0.0	3/	3/	-
1980	15,300	72.9	2/	2/	.0	6.0	3/	-
1981	15,300	81.8	2/	2/	.3	.4	3/	-
1982	12,300	90.7	2	2	4.2	5.2	3/	100
1983	10,500	90.7	2	4	7.6	9.2	1.1	100
1984	9,500	90.7	2	5	7.7	9.5	2.0	100

1/ Beginning Oct. 1 of year indicated through Sept. 30 of the following year.
2/ Not in effect.
3/ Unavailable.

Source: Compiled from data contained in the USDA prehearing brief, table V-D, and data of the ASCS.

will continue to be reduced (especially for flue-cured), and farmers will attempt to expand their operations to more efficiently use newer technology.

The major area of tobacco production is the Southeastern United States, where tobacco for use in cigarettes is grown. In 1984, North Carolina accounted for 67 percent of the national flue-cured quota, and South Carolina, Georgia, and Virginia accounted for 9 to 12 percent each. In 1984, Kentucky accounted for 66 percent of the national burley quota, and Tennessee for 19 percent. Kentucky, Tennessee, and Virginia are the primary producing states for dark air-cured and fire-cured tobaccos, while Pennsylvania, Wisconsin, Ohio, Massachusetts, and Connecticut are the principal producing states for cigar-type tobaccos. USDA reports that cash receipts from tobacco in 1983, as a percent of cash receipts from all farm commodities, amounted to 28 percent for Kentucky, 27 percent for North Carolina, 18 percent for South Carolina, 13 percent for Virginia, and 12 percent for Tennessee.

The following tabulation, which was based on USDA statistics, shows the gross value and harvested acreage in 1983 of selected crops:

Crop	Acreage harvested	Gross value	Value
	1,000 acres	Million dollars	Per acre
Corn	51,443	14,192	$276
Wheat	61,390	8,620	140
Soybeans	62,525	13,073	209
Cotton	7,368	2,481	337
Peanuts	1,374	786	572
Sugar beets	1/ 1,044	1/ 740	709
Tobacco	789	2,473	3,134
Sugarcane	767	790	1,030
All crops	292,985	69,560	237

1/ Data are for 1982.

The tabulation shows that the gross value of all types of tobacco, per harvested acre, is significantly greater than that received from virtually all other major U.S. crops, including several which have been the subject of price support programs in recent years. One factor that affects the level of returns, however, is the intensity of labor input for tobacco relative to that of other crops. This level reflects both the small size of most tobacco operations and the low level of mechanization in both planting and harvesting tobacco.

USDA reports that most tobacco growers earn income off the farm. Off-farm work is important in the flue-cured region (about one-half of the families have off-farm income), but more so in the fire-cured, dark air-cured, and burley regions. USDA reports that the most recent information on tenure arrangements indicates that only 16 percent of the flue-cured farm operators owned the entire tobacco quota (the right to produce and sell a specified quantity of tobacco) they produced in 1979. About 27 percent rented all their

quota. The remaining 57 percent used a combination of owning, leasing, transferring, and renting quotas. Lease and transfer of quota refers to an arrangement whereby the quota is grown on a farm other than the one to which it is assigned. Renting refers to growing the quota on the farm to which the quota is assigned. Unlike flue-cured tobacco, nearly 40 percent of the burley farm operators owned the entire tobacco quota they produced in 1976. Another 30 percent rented all their quota, and about one of every four producers leased some quota. Detailed information on leasing arrangements relating to other tobacco types (fire-cured, dark air-cured, burley, and cigar types) is not available from USDA; however, it is known to occur. The lease rate of the right to grow and sell tobacco depends on the price of the type and quality of the tobacco to which the quota applies and the expected cost of production (net of quota rental) for the growers. USDA officials estimate that the overall total annual income from quota or allotment leasing is in the $800 million to $1 billion range and has changed little in recent years as quota reductions have been offset by higher lease rates.

In an attempt to gather data on allotment lease rates, the Commission sent letters to cooperatives producing the types of tobacco covered by this investigation. Responses were received from the Flue-Cured Tobacco Cooperative Stabilization Corporation, the Burley Stabilization Corp., the Eastern Dark Fired Tobacco Growers Association, the Western Dark Fired Tobacco Growers Association, and the Stemming District Tobacco Association. All five respondents stated that it is very difficult to determine lease rates. However, the Western Dark Fired Tobacco Growers Association reported that type 35 lease rates have varied from no charge to $250 per acre and that type 23 has leased from no charge to $750 per acre. The Eastern Dark Fired Tobacco Growers Association reported that lease rates for the 1983 and 1984 crops varied from no charge to $1,000 per acre (no cents per pound to 60 cents per pound). The Burley Stabilization Corp. reported that lease rates for type 31 range from 10 cents to 60 cents per pound, for an average of 30 cents to 35 cents. The Flue-Cured Tobacco Cooperative Stabilization Corp. (types 11-14) stated that lease rates vary considerably by county, but that the estimated range of such rates in 1984 was 10 cents to 70 cents. The Stemming District Tobacco Association (dark air-cured, type 36) reported that it could provide no data.

USDA reports that about 97 percent of the tobacco grown in the United States is marketed by the auction method (the tobacco is displayed for sale in small individual lots). The remaining 3 percent, made up principally of cigar types, fire-cured, and dark air-cured tobaccos, is sold either directly on the farms or through farmer-owned cooperatives. In the auction method, growers deliver their tobacco to the auction warehouse, where it is sold to the highest bidder. The bidders included both tobacco product manufacturers (both domestic and foreign), and independent dealers, who purchase tobacco on orders from manufacturers or for future sales to these manufacturers.

The selling season begins when the flue-cured markets open in July and ends when sales in Maryland are completed in June of the following year. Before the auction, a USDA inspector examines each lot of tobacco and grades it according to official USDA standards. The grower may accept the buyer's bid or allow the tobacco to be received by the cooperative or association at the appropriate support price for that grade. The grower is paid by the warehouse, which, in turn, is reimbursed by the buyer or association. The no-net-cost assessment plus warehouse costs are deducted by the auction

warehouse at the time of sale. In the cigar leaf areas, eligible growers deliver their tobacco to the producer association, where it is graded and then offered for sale. As mentioned, a small amount of tobacco (mostly cigar and chewing tobacco types) is sold at the farm or "barn door." This method may be done at any time during the growing or curing season. Various buyers inspect the tobacco and make offers; however, competition is not as apparent as in the auction method of sales.

According to the USDA, 1/ with the current price support formula, most tobacco growers have been assured of prices above costs of production, excluding management, land, and quota lease costs. The average margin between price and cost is smaller for burley than for flue-cured because much greater reductions in labor have been achieved for flue-cured than for burley. However, a greater proportion of flue-cured costs are actual cash costs than is the case for burley. The large differences between prices and costs do not reflect returns to management. They have resulted in large lease charges (currently more than 50 cents per pound in the most concentrated areas) to growers leasing or renting quotas. Many growers now pay one-fourth to one-third of the price received for the right to produce the crop.

The cost of producing burley tobacco, excluding management, land, and quota, rose about 40 percent from 1976 to 1982. During that time, prices received for burley rose by 60 percent. Sufficient returns were generated in all years to cover management costs except in 1979 when disease reduced burley yield significantly. In 1983, when yields were reduced sharply because of drought, production costs (excluding land and quota) and prices of burley were nearly the same.

Production costs differ widely due to variations in management and various other factors. Costs for some growers are much closer to prices than for others. However, on average, the margin between costs and returns in average growing years is wide and has become even more so during recent years.

Tobacco production continues to be labor-intensive despite major reductions in labor used to produce flue-cured tobacco. In 1979, about 173 hours of labor were used per acre to produce flue-cured tobacco compared with about 425 hours in 1965. The reduction is attributed to a switch to untied leaf sales, a changeover to labor-saving harvesting devices, including bulk barns and mechanical harvesters, and more efficient preharvest operations. Also, improved management has paralleled mechanization and increased farm size.

Similar reductions in labor use have not occurred for burley and other types because of the lack of a feasible harvester that maintains the quality of air-cured tobacco and the small size of operating units. In 1976, approximately 340 hours of labor were used to produce an acre of burley. Since then, a nearly complete switch to loose-leaf sales in bales or sheets from tied hands has occurred. This, and other changes, such as improved management and the adoption of a few harvesting aids, may have reduced harvest labor use by 50 to 60 hours per acre. Most of the dark and cigar types of tobacco also require about 300 hours of labor per acre.

1/ USDA, Tobacco Background for 1985 Farm Legislation, ERS Bulletin No. 468, Sept. 1984, p. 21.

Many of the benefits of labor reductions are apparently being captured by quota holders at the expense of grower profits. When prices exceed an average return to management and production costs, excluding land and quota, the excess return gets capitalized into the value of land and quota. Because tobacco production is limited by quotas, increases in returns because of lower production cost or higher price supports get bid into the rent or lease value of the quota. This aids quota owners but does little for nonowning growers beyond providing price stability.

Table 12 shows that the average cost to produce 1 pound of flue-cured tobacco, excluding management, land, and quota costs, rose from $0.86 per pound in 1980 to $1.01 per pound in 1984, representing an increase of 17.4 percent. After including management, land, and quota costs, the average cost per pound increased from $1.30 in 1980 to $1.57 in 1984, or a 20.8 percent gain. The average price per pound paid to farmers increased from $1.45 in 1980 to $1.81 in 1984, 1/ or by 24.8 percent. Thus, average income per pound, excluding management, land, and quota costs, increased from $0.59 in 1980 to $0.80 in 1984, a gain of 35.6 percent. After including management, land, and quota costs, average income per pound rose from $0.15 in 1980 to $0.24 in 1984, or by 60.0 percent.

The percentage increases in costs of the major flue-cured cost components from 1980 to 1984 were as follows: variable costs, 14.9 percent; machinery and barn ownership, 29.4 percent; management, 11.1 percent; and land and quota allocation, 27.8 percent. During the 1980-84 period, the land and quota allocations ranged between 27.3 and 30.6 percent of total costs and between 24.7 and 25.7 percent of the average price paid to farmers. The labor cost component of total variable costs, which accounted for 17.2 percent of total costs in 1984, declined from 27.6 cents per pound in 1980 to 27.0 cents 2/ in 1984, a decrease of 2.2 percent. Grower contributions to the no-net-cost fund (also included in variable costs) were 3 cents per pound of flue-cured tobacco marketed in 1982 and 7 cents in 1983 and 1984.

Table 13 shows that the average cost to produce 1 pound of burley tobacco, excluding management, land, and quota costs, increased irregularly from $1.24 per pound in 1980 to $1.38 per pound in 1984, or by 11.3 percent. After including management, land, and quota costs, the average cost per pound increased from $1.83 in 1980 to $2.05 in 1984, for a gain of 12 percent. The average price per pound paid to farmers increased from $1.66 in 1980 to $1.86 in 1984, or by 12 percent. Accordingly, average income per pound, excluding management, land, and quota costs, increased from $0.42 in 1980 to $0.48 in 1984, or by 14.3 percent. After including management, land, and quota costs, however, there was a loss in all 5 years, ranging from a loss of $0.05 in 1982 to a loss of $0.71 in low-yield 1983.

The percentage increases in costs per pound of the major burley cost components from 1980 to 1984 were 14.1 percent in variable costs, and 17.0 percent in land and quota allocations. During the 1980-84 period, the land and quota allocations ranged between 26 and 27 percent of total costs. As a percent of the average price paid to farmers, the land and quota allocations

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1/ Estimated by the USDA.
2/ USDA projection.

Table 12.--Flue-cured tobacco: Average prices, costs, and income, 1980-84

	1980	1981	1982	1983	1984
Price 1/----------per pound--	$1.45	$1.66	$1.79	$1.78	$1.81
Costs: 2/					
Variable 3/----------do----	.67	.67	.72	.82	.77
Machinery and barn ownership per pound--	.17	.18	.20	.21	.22
General farm overhead----do----	.02	.02	.02	.02	.02
Total costs, excluding management, land, and quota----------do----	.86	.87	.95	1.05	1.01
Management 4/----------do----	.09	.09	.09	.11	.10
Land and quota allocation 5/ per pound--	.36	.41	.46	.44	.46
Total costs, including management, land, and quota----------do----	1.30	1.38	1.50	1.60	1.57
Income per pound, excluding management, land, and quota costs----------per pound--	.59	.79	.84	.73	.80
Income per pound, including management, land, and quota costs----------	.15	.28	.29	.18	.24
Ratio of income before management, land, and quota costs to price----------percent--	40.7	47.6	47.0	41.0	44.2
Ratio of income after management, land and quota costs to price----------percent--	10.3	16.9	16.2	10.1	13.3

1/ Average price per pound paid to farmers.

2/ Preliminary for 1983; USDA projection for 1984.

3/ Includes labor, materials, fuel, electricity, repairs, marketing fee, payment to the no-net-cost fund, inspection and grading fee, interest, and tobacco crop insurance.

4/ Based on 10 percent of all costs, excluding land and quota costs.

5/ Calculated on the net share-rent basis. Net share rent is the value of the landlord's share of the crop after subtracting landlord payments for fertilizer, chemicals, and other inputs and allocating barn ownership costs, under prevailing share-rent arrangements.

Source: Compiled from official statistics of the United States Department of Agriculture. The major source of data for the cost estimates is a USDA survey in 1979 of 1,033 flue-cured tobacco producers in the flue-cured belt. The 1979 data have been updated to obtain national cost estimates for 1980-84.

Note.--Because of rounding, figures may not add to the totals shown.

Table 13.--Burley tobacco: Average prices, costs, and income, 1980-84

	1980	1981	1982	1983	1984
Price 1/--------per pound--	$1.66	$1.81	$1.80	$1.77	$1.86
Costs: 2/					
Variable 3/--------do----	.92	.94	.91	1.20	1.05
Machinery and barn ownership--------do----	.28	.27	.27	.41	.28
General farm overhead----do----	.02	.02	.02	.03	.02
Other--------do----	.03	.03	.03	.04	.03
Total costs, excluding management, land, and quota--------do----	1.24	1.26	1.22	1.68	1.38
Management 4/--------do----	.12	.13	.13	.12	.12
Land and quota allocation 5/---	.47	.51	.50	.67	.55
Total costs including management, land, and quota per pound--	1.83	1.90	1.85	2.48	2.05
Income per pound, excluding management, land, and quota costs--------do----	.42	.55	.58	.09	.48
(Loss) per pound, including management, land, and quota costs--------do----	(0.17)	(0.09)	(0.05)	(0.71)	(0.19)
Ratio of income before management, land, and quota costs to price--------percent--	25.3	30.4	32.2	5.1	25.8
Ratio of (loss) after management, land, and quota costs to price--------percent--	(10.2)	(5.0)	(2.8)	(40.1)	(10.2)

1/ Average price per pound paid to farmers.

2/ Preliminary for 1983; USDA projection for 1984.

3/ Includes labor, materials, fuel, repairs, tobacco, crop insurance, seed, marketing fee, inspection, grading, and payment to the no-net-cost fund.

4/ Estimated at 7 percent of gross receipts.

5/ Calculated on the net share-rent basis. Net share rent is the value of the landlord's share of the crop after subtracting landlord payments for fertilizer, chemicals, and other inputs and allocating barn ownership costs, under prevailing share-rent arrangements.

Source: Compiled from official statistics of the United States Department of Agriculture. The major source of data for the cost estimates is a 1977 survey of the 1976 costs of 790 tobacco producers in 5 major Kentucky and Tennessee production areas. The data have been updated from 1976 by use of price indexes for individual input items.

Note.--Because of rounding, figures may not add to the totals shown.

averaged about 28 percent in 1980-82. However, in 1983, the land and quota cost was 37.9 percent of the average price, and it is projected at 29.6 percent of the average price for 1984. The labor cost component, which accounted for 27.2 percent of total costs in 1984, increased from 55.4 cents per pound in 1980 to 55.8 cents in 1984. Contributions to the no-net-cost account for burley were 1 cent in 1982, 5 cents in 1983, and 9 cents in 1984.

A comparison of the ratio of income to price for flue-cured tobacco (table 12) with that of burley tobacco (table 13) corroborates the earlier statement regarding the lower average margin between price and costs for burley. Before management, land, and quota costs are included, flue-cured tobacco's ratios of income to price range from 47.6 to 40.7 percent; burley's range from 32.2 to 5.1 percent. After management, land, and quota costs are included, flue-cured's ratios of income to price range from 16.9 to 10.1 percent, while burley shows a loss in all 5 years ranging between 2.8 percent of price in 1982 to 40.1 percent in 1983.

Burley production costs excluding management, land, and quota are available for 1976-79. For a comparison of the 1976-79 period with 1980-84, table 14 contains a summary of burley prices, costs, income, and ratios of costs and income to price during 1976-84. In 1976-79, the ratio of costs to price averaged 81.8 percent, compared with the 76.2 percent ratio in 1980-84. Each period includes 1 poor year because of abnormally low yield (1979 and 1983); eliminating these years from the calculations results in an average ratio of costs to price of 77.8 percent in the earlier period and 71.5 percent in 1980-84. The ratio of income to price averaged 18.2 percent during 1976-79, compared with the 23.8 percent ratio in 1980-84. Excluding 1979 and 1983, the ratio of income to price in the earlier period averaged 22.2 percent, compared with the 28.5 percent ratio in 1980-84.

Table 14.--Burley tobacco: Prices, costs, and income, 1976-84

Year	Price 1/	Cost 2/	Income	Ratio of cost to price	Ratio of income to price
	Per pound			Percent	
1976	$1.14	$0.87	$0.27	76.3	23.7
1977	1.20	.97	.23	80.8	19.2
1978	1.31	1.00	.31	76.3	23.7
1979	1.45	1.33	.12	91.7	8.3
1980	1.66	1.24	.42	74.7	25.3
1981	1.81	1.26	.55	69.6	30.4
1982	1.80	1.22	.58	67.8	32.2
1983 3/	1.77	1.68	.09	94.9	5.1
1984 4/	1.86	1.38	.48	74.2	25.8

1/ Average price paid to farmers.
2/ Total costs excluding management, land, and quota.
3/ Preliminary costs.
4/ Projected by the USDA.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Tobacco dealers

Tobacco dealers purchase tobacco for resale to domestic manufacturers, foreign manufacturers, and foreign dealers. Major dealers are represented in all auction markets where cigarette leaf tobacco is sold. There are 7 major domestic tobacco dealers and about 40 minor dealers, located primarily in Virginia, North Carolina, and Kentucky. These dealers also have offices in many of the world's major tobacco-growing areas, where they purchase various types of tobacco (especially flue-cured and burley tobacco) for later sale in another foreign country or for import into the United States. Some of the large dealers contract with growers in these foreign countries for specific production and also have processing facilities located in these countries for stemming or threshing operations. 1/ Tobacco imported into the United States may be processed for reexport or sold to U.S. manufacturers for use in cigarettes or other tobacco products.

Manufacturers

Six major cigarette manufacturers produce more than 99 percent of the cigarettes manufactured in the United States. These six manufacturers purchase practically all the flue-cured and burley tobacco used in the manufacture of cigarettes. The three largest manufacturers (Phillip Morris USA, R.J. Reynolds Tobacco Co., and Brown & Williamson International Tobacco) accounted for about 78 percent of domestic cigarette production in 1984. North Carolina, Virginia, and Kentucky are the principal cigarette-producing states. Cigarette manufacturers attend U.S. auctions and import tobacco themselves and/or arrange with independent dealers to purchase the types, grades, and qualities of tobacco required for their various cigarette blends (the components of which are regarded as highly sensitive trade secrets). Employment in the cigarette industry is estimated at 41,000 employees for 1984.

Trade and Government sources estimate that there were about 100 establishments producing cigars during 1984. Employment is estimated at 6,000 workers. Florida, Pennsylvania, and New York are the major cigar-producing States.

The number of establishments primarily engaged in the production of chewing and smoking tobacco and snuff (primary uses of fire-cured and dark air-cured tobaccos) is estimated at 30 for 1984, while the number of employees is estimated at 3,000. Tennessee, Kentucky, Illinois, and Virginia are the principal producing states.

U.S. Consumption

USDA defines the use of tobacco as the sum of domestic disappearance and imports. For purposes of this report, what USDA refers to as use is designated as apparent consumption.

USDA calculates domestic disappearance of various types of tobacco as the sum of domestic disappearance minus exports. Specifically the equation is calculated as follows: beginning stocks (both loan stocks and manufacturers'

1/ Transcript, p. 432.

and dealers' inventories) of domestic tobacco, plus marketings, minus ending stocks (composed of the same items as beginning stocks), minus exports of U.S.-grown tobacco, equals domestic disappearance. No official Census Bureau data exist on actual imports for consumption of the types of tobacco covered by this investigation. Instead, the most commonly used data are estimates published by USDA and included in its report Tobacco: Outlook and Situation Report. 1/ The methodology used to arrive at these data is complex. However, USDA, using data on imports for consumption, estimates the quantity of certain types of tobacco contained in various TSUS "basket" items and then converts the totals to farm sales weight. In 1983, when imports for consumption of flue-cured and burley tobaccos rose sharply in anticipation of the announced tariff reclassification, USDA felt that many of the imports for consumption were not used and instead remained in inventory. To present a more accurate picture of actual use of imports, USDA manipulated general imports in 1983 in the same manner it formerly manipulated imports for consumption. 2/ Then, imports were, in part, spread into stocks. The result was an estimate of imports actually used. USDA officials state that this procedure will be in effect for several years until all imports for consumption that remained in inventories have been used.

USDA presented a new data series concerning imports for consumption in its prehearing brief, filed in connection with this investigation. This series presented data on the types of tobacco covered by this investigation on a crop-year basis. 3/ Data in this series were derived by manipulating Census import data in much the same manner as done in Tobacco: Outlook and Situation Report. 4/ However, imports were also adjusted, by TSUS item, to exclude imports from countries known not to produce certain types of these tobaccos. For many items, imports were prorated between types according to reported stocks of foreign-grown tobacco of the similar type on January 1 of the corresponding year. Additionally, imports for consumption data were used throughout the series, rather than general imports in 1983. Import data in this series were not spread over stocks, and thus are a more accurate representation of imports for consumption than data contained in the Tobacco: Outlook and Situation series. Accordingly, data from this series are used as imports for consumption and for calculating U.S. apparent consumption in this report. 5/

Flue-cured (types 11-14)

During 1979-83, apparent domestic consumption of all flue-cured tobacco (both U.S.-grown and imports) declined irregularly from 650 million pounds to 597 million pounds (table 15). Consumption of all flue-cured tobacco is projected by USDA at 538 million pounds in 1984. Consumption of U.S.-grown

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1/ USDA Economic Research Service publication.

2/ This change in USDA's methodology applied only to flue-cured and burley tobacco.

3/ The crop year is July 1 through June 30 for flue-cured tobacco and October 1 through September 30 for all other types.

4/ Import data in the USDA publication Tobacco: Outlook and Situation Report are presented on a July 1 through June 30 basis.

5/ A more indepth discussion of the way USDA estimated imports is presented in USDA's responses to Commissioners' questions, dated Jan. 11, 1985.

Table 15.--Flue-cured and burley tobacco: USDA estimates of imports for consumption, domestic disappearance, and apparent consumption, crop years 1975/76 to 1984/85

Year beginning Oct. 1--	Flue-cured 1/				Burley 2/			
	Imports 3/	Domestic disappearance	Apparent consumption	Ratio of imports to consumption	Imports 3/	Domestic disappearance	Apparent consumption	Ratio of imports to consumption
	Million pounds, farm-sales weight			Percent	Million pounds, farm-sales weight			Percent
1975	35.8	670.6	706.4	5.1	64.5	510.1	574.6	11.2
1976	36.9	634.0	670.9	5.5	70.5	489.6	560.1	12.6
1977	52.6	608.2	660.8	8.0	83.7	494.8	578.5	14.5
1978	72.8	584.1	656.9	11.1	93.2	502.8	596.0	15.6
1979	86.9	563.1	650.0	13.4	104.9	498.5	603.4	17.4
1980	72.1	529.4	601.5	12.0	143.5	477.6	621.1	23.1
1981	69.4	488.8	557.2	12.5	103.9	463.9	567.8	18.3
1982	94.6	478.5	572.1	16.5	223.7	444.1	667.8	33.5
1983	155.0	441.6	596.6	26.0	107.2	410.0	517.2	20.7
1984 4/	102.5	435.0	537.5	19.1	100.0	395.0	495.0	20.2

1/ Year beginning July 1.

2/ Year beginning Oct. 1.

3/ Estimated imports for consumption of leaf, scrap, and manufactured or unmanufactured tobacco (beginning 1980). Import categories prorated according to reported stocks of imported flue-cured and burley on Jan. 1 of corresponding year by the USDA.

4/ Estimated by the USDA.

Source: Compiled from data presented in tables V-A and V-B of USDA's prehearing brief and conversations with USDA officials.

flue-cured tobacco (known as domestic disapparance) declined steadily during 1979-83, from 563 million pounds to 442 million pounds, and is projected to decline further to 435 million pounds in 1984. USDA reports that one factor in the general decline in flue-cured usage through 1981 was the trend toward low-tar, low-nicotine cigarettes. 1/ Burley tobacco has certain characteristics that make it more suitable for use in low-tar, low-nicotine cigarettes than flue-cured, and, as a result, burley replaced some flue-cured tobacco in this product. Additionally, cigarette manufacturers have also become more efficient in their use of tobacco; the quantity of tobacco required to produce 1,000 cigarettes declined irregularly from 1.89 pounds (unstemmed-processing weight) in 1974 to 1.79 pounds in 1983. 2/ In addition, domestic cigarette consumption and production has declined steadily since 1981 (table 16). During 1979-83, the ratio of imports of flue-cured tobacco to consumption increased irregularly from 13.4 percent to 26.0 percent. The ratio is estimated by USDA at 19.1 percent for 1984 (table 15).

Burley (type 31)

Apparent U.S. consumption of all burley tobacco showed a trend downward from 603 million pounds in 1979 to 517 million pounds in 1983 (table 15). USDA estimates 1984 consumption at 495 million pounds. Consumption of domestic burley tobacco declined steadily over the same period, from 499 million pounds to 410 million pounds. Consumption of domestic burley is estimated by USDA at 395 million pounds for 1984. The ratio of imports to consumption fluctuated, ranging from 17.4 percent in 1979 to 33.5 percent in 1982. The ratio is estimated at 20.2 percent for 1984. Declining cigarette consumption and production since 1981 also affected burley consumption.

Dark air-cured (types 35 and 36)

Apparent U.S. consumption of all dark air-cured tobacco fluctuated during 1979-83, ranging from 11.8 million pounds in 1983 to 15.5 million pounds in 1982. USDA estimates 1984 consumption at 12.2 million pounds (table 17).

During 1979-83, consumption of domestic dark air-cured tobacco also fluctuated, ranging from 11.5 million pounds in 1983 to 14.7 million pounds in 1982. USDA estimates 1984 consumption of domestic dark air-cured tobacco at 11.8 million pounds. This tobacco is primarily used in plug and twist chewing tobacco and in snuff. Production and sales of the first two products decreased during 1981-83, while those of snuff increased over the same period (table 18). During 1979-83, the ratio of imports to consumption followed no regular pattern, ranging from 1.6 percent in 1981 to 8.4 percent in 1980. The ratio is estimated at 3.3 percent for 1984 (table 17).

Fire-cured (types 21-23)

During 1979-83, U.S. consumption of fire-cured tobacco followed no regular pattern, ranging from 17.4 million pounds in 1981 to 23.7 million

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1/ The trend toward this type of cigarette ended in 1981.

2/ However, the quantity required increased during 1981 from 1.70 pounds to 1.79 pounds.

Table 16.--Cigarettes: U.S. production, removals, estimated inventory changes, and consumption, 1975-84

(In billions)

Year	Production	Taxable removals	Tax-exempt removals				Estimated inventory changes	Total U.S. consumption 3/
			Total	Exports	Shipments 1/	Overseas forces 2/		
1975	651.2	588.3	62.3	50.2	1.5	10.6	-7.7	607.2
1976	693.4	617.9	72.1	61.4	1.9	8.8	13.5	613.5
1977	665.9	592.0	78.1	66.8	1.1	10.2	-14.4	617.0
1978	695.9	614.2	85.1	74.4	1.2	9.6	8.2	616.0
1979	704.4	614.0	93.8	79.7	1.1	13.0	5.7	621.5
1980	714.1	620.5	94.2	82.0	.9	11.3	2.3	631.5
1981	736.5	638.1	92.0	82.6	.8	8.6	8.0	640.0
1982	694.2	614.1	82.1	73.6	.8	7.7	-10.8	634.0
1983 4/	667.0	597.5	69.7	60.7	.8	8.2	7.2	600.0
1984 5/	655.0	590.5	60.5	52.0	.8	7.7	2.2	593.0

1/ To Puerto Rico and other U.S. possessions.
2/ Includes ship stores and small tax-exempt categories.
3/ Taxable removals, overseas forces, inventory changes, and imports.
4/ Subject to revision.
5/ Estimated.

Source: Official data of the USDA.

Table 17.--Fire-cured (types 21-23) and dark air-cured (types 35-36) tobacco: USDA estimates of imports for consumption, domestic disappearance, and apparent consumption, 1975-84

Year beginning Oct. 1--	Fire-cured (types 21-23)				Dark air-cured (types 35-36)			
	Imports	Domestic disappearance	Apparent consumption	Ratio of imports to consumption	Imports	Domestic disappearance	Apparent consumption	Ratio of imports to consumption
	Million pounds, farm-sales weight			Percent	Million pounds, farm-sales weight			Percent
1975	0.3	13.6	13.9	2.2	0.9	16.1	17.0	5.3
1976	3.0	13.2	16.2	18.5	.5	15.1	15.6	3.2
1977	3.2	20.2	23.4	13.7	.5	13.6	14.1	3.5
1978	1.9	16.1	18.0	10.6	.3	15.7	16.0	1.9
1979	.8	21.2	22.0	3.6	.3	14.2	14.5	2.1
1980	.9	22.3	23.2	3.9	1.1	12.0	13.1	8.4
1981	1.1	16.3	17.4	6.3	.2	12.3	12.5	1.6
1982	.1	23.6	23.7	.4	.8	14.7	15.5	5.2
1983	.9	20.0	20.9	4.3	.3	11.5	11.8	2.5
1984 1/	.4	23.1	23.1	23.5	1.7	11.8	12.2	3.3

1/ Estimated by the USDA.

Source: Compiled from data presented in USDA's prehearing brief, tables V-H and V-I .

Table 18.--Certain tobacco products: Production and domestic sales, 1981-83 1/

(Million pounds)

Item	Production			Domestic sales 2/		
	1981	1982	3/ 1983	1981	1982	3/ 1983
Chewing tobacco:						
Plug-firm	11.4	10.5	9.7	11.3	10.2	9.61
Plug-moist	6.5	5.2	4.4	6.5	5.1	4.4
Twist	1.8	1.7	1.7	1.9	1.8	1.7
Loose leaf	70.3	73.0	71.0	70.5	70.9	70.9
Total	90.0	90.4	86.8	90.2	88.0	86.6
Snuff-dry	11.7	10.3	10.5	11.8	11.2	10.7
Snuff-moist	30.8	33.5	36.2	30.2	32.7	35.0
Total	42.5	43.8	46.7	42.0	43.9	45.7
Smoking:						
Pipe	27.0	25.3	23.7	26.8	24.5	23.0
Granulated or sack	.3	.3	.4	.3	.3	.4
Cigarette cut	3.0	2.7	4.0	2.9	3.0	3.6
Total	30.3	28.3	28.0	30.0	27.8	27.0

1/ Comparable data not available before 1981.
2/ Invoice to domestic customers.
3/ Preliminary.

Source: Official data of the USDA.

pounds in 1982 (table 17). Consumption in 1984 is estimated at 23.1 million pounds. U.S. consumption of domestic Kentucky-Tennessee fire-cured tobacco declined irregularly from 18.0 million pounds in 1979 to an estimated 16.0 million pounds in 1983. Consumption of Virginia fire-cured tobacco declined from 3.2 million pounds in 1979 to 1.8 million pounds in 1981, and then increased to an estimated 4.0 million pounds in 1983. The ratio of imports to consumption for fire-cured tobacco increased irregularly from 3.6 percent in 1979 to an estimated 23.5 percent in 1984.

Cigar filler (types 41, 42-44, and 46) and cigar binder (types 51 and 52 and 54 and 55)

During 1979-83, U.S. consumption of cigar filler and cigar binder tobaccos (including imports and domestic types not under price support 1/) followed no trend, ranging from 109 million pounds in 1982 to 130 million pounds in 1980 (table 19). 2/ USDA estimates 1984 consumption to be 130 million pounds. These tobacco types are primarily used in the production of chewing tobacco and cigars, both of which have experienced declining consumption in recent years (table 20). The ratio of imports to consumption increased irregularly from 56 percent to 64 percent during 1979-83 (table 19). Import penetration is estimated at 66 percent in 1984.

Manufactured tobacco products

U.S. consumption of cigarettes increased from 622 billion cigarettes to 640 billion during 1979-81, but then declined to 634 billion cigarettes in 1982 and to 600 billion cigarettes in 1983, or about 6 percent less than 1981 (table 16). The USDA reports that annual per capita cigarette use by persons 18 years of age and over declined to 3,494 cigarettes in 1983, down about 9 percent from 1979. Concern over the health hazards of smoking and higher cigarette prices (which have been affected by increased State and Federal tax rates) are believed to be the primary reasons for the decline. Imports of cigarettes are negligible in relation to U.S. consumption and, during 1979-83, annually accounted for less than 0.5 percent of domestic consumption.

During 1979-83, U.S. consumption of all cigars declined steadily from 5.7 billion to 4.8 billion, continuing a general trend away from cigar smoking over the last decade (table 20). USDA reports that per capita consumption also declined steadily over the period from 56.0 cigars per male 18 years and over to 41.9 cigars. The decreasing demand is believed to be related to social pressures concerning odor, attrition of user base, and a decreasing number of new cigar smokers. During 1979-83, import penetration was small;

1/ Eligible voters have never approved the program for Pennsylvania filler (type 41). Connecticut cigar binder (types 51 and 52) voters disapproved that program in 1984.

2/ Data relating to the consumption of the individual tobacco types are not available because comparable import data are not available for the individual domestic types. However, USDA has provided import and consumption estimates for all types (as a total) of cigar filler and binder tobaccos (USDA prehearing brief, table V-C).

Table 19.--Cigar filler and binder tobacco (types 41, 42-44, 46, and 51-55): Domestic disappearance, by types and price-support status, USDA estimates of imports for consumption, and apparent consumption, crop years 1975/76 to 1984/85 1/

Year beginning Oct. 1	Domestic disappearance 2/						Imports	Apparent consumption	Ratio of imports to consumption
	Support in 1983				Supported (total)	Not supported			
	Ohio cigar filler (types 42-44)	Puerto Rican filler (type 46)	Connecticut cigar binder (types 51 and 52)	Wisconsin cigar binder (types 53-55)	Types 42-44, 46, and 51-55	Pennsylvania filler (type 41)			
	Million pounds, farm-sales weight								Percent
1975	3.6	3.2	4.1	17.1	24.0	22.2	69.4	119.2	58.2
1976	3.1	4.9	2.3	19.4	29.8	20.7	60.9	110.9	54.9
1977	2.6	3.9	1.9	19.3	27.6	21.8	57.2	106.6	53.7
1978	3.7	2.6	2.0	20.1	28.5	23.6	67.8	119.8	56.6
1979	4.5	.8	2.1	21.4	28.9	24.3	67.3	120.5	55.9
1980	4.1	1.6	2.0	21.3	29.2	21.7	79.2	130.1	60.9
1981	2.1	1.3	2.4	20.0	25.9	27.1	69.7	122.7	56.8
1982	2.0	.8	3.1	19.8	25.9	19.6	63.0	108.5	58.1
1983	1.9	1.5	3.0	17.9	24.5	20.3	81.9	127.3	64.3
1984 3/	2.0	1.5	2.8	18.0	4/ 24.5	20.0	85.0	129.5	65.6

1/ Beginning Oct. 1 of the year indicated through Sept. 30 of the following year.
2/ Utilization of domestic tobacco.
3/ Estimated by USDA.
4/ Includes types 51 and 52. Even though the program was voted out in 1984, co-op stocks remain.

Source: Compiled from data presented in USDA prehearing brief, Tables V-C, V-D, V-E, V-F, and V-G.

Table 20.--Cigars: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-83

Year	Production 1/	Exports	Imports	Apparent consumption 2/	Ratio of imports to consumption
	Million cigars				Percent
1979	6,018	177	107	5,745	1.8
1980	5,484	354	119	5,379	2.2
1981	5,466	181	124	5,322	2.3
1982	4,943	181	126	5,017	2.5
1983	4,914	130	128	4,834	2.6

1/ Production includes large and small (cigarette-size) cigars manufactured in the continental United States and shipments to the continental United States from Puerto Rico.

2/ Consumption comprises tax-paid and tax-free removals from manufacturers' premises in the United States plus imports for consumption and shipments to the continental United States from Puerto Rico, minus exports.

Source: Production and consumption, compiled from official statistics of the U.S. Department of the Treasury; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

however, it increased steadily from 1.8 percent to 2.6 percent, with the imports competing in the premium-quality categories.

During 1981-83, U.S. consumption of snuff and snuff flour, which is supplied almost entirely by U.S. producers, increased steadily from 43 million pounds to 47 million pounds (table 18). 1/ The USDA reports that during the same period, per capita snuff consumption increased from 0.25 pound to 0.27 pound per male, 18 or over. The increased use of snuff is believed to be related to the fact that snuff is a tobacco product that is relatively easily consumed. Furthermore, snuff has not been associated with the health hazards of combustible tobacco products. Consumption of imported snuff is negligible in relation to the domestic product.

During 1981-83, U.S. consumption of smoking tobacco declined steadily from 30 million pounds to 27 million pounds (table 18). Per capita consumption also declined steadily during the period from 0.46 pound to 0.41 pound per male 18 and over, continuing a long-term trend. Trade sources indicate that there has been a general decline in the number of pipe smokers because fewer people are willing to take the time to fill and prepare a pipe.

Chewing tobacco consumption is estimated (from USDA data) at about 87 million pounds for 1983 (table 18). This level is estimated to be about 3 percent less than the amount consumed in 1981 and 1982. The USDA reports that per capita consumption of chewing tobacco during 1981-83 declined from 1.13 pounds to 1.06 pounds per male, 18 and over. U.S. imports of chewing tobacco are believed to be negligible or nil.

U.S. Production and Stocks

Flue-cured (types 11-14)

U.S. production (marketings) of flue-cured tobacco during 1979-84 ranged from a low of 855 million pounds in 1983 to a high of 1,144 million pounds in 1981 (table 21). Production increased steadily during 1979-81, and then declined, reaching a 10-year low in 1983. Production in 1984 is estimated by USDA to be 845 million pounds. Total stocks 2/ of domestic flue-cured tobacco have been relatively stable during 1979-83, ranging from 2.0 billion pounds in 1980 and 1981 to 2.2 billion pounds in 1983 and 1984 (table 21). U.S. stocks of foreign-grown flue-cured tobacco have increased almost steadily from 147 million pounds in 1979 to 244 million pounds in 1984 (table 22). These stocks accounted for 7.1 percent of stocks of domestic flue-cured tobacco on July 1, 1979, compared with 11.3 percent on July 1, 1984.

Burley (type 31)

U.S. production (marketings) of burley tobacco ranged from 446 million pounds in 1979 to a record high of 777 million pounds in 1982 (table 21).

1/ USDA officials report that comparable data for years before 1981 are not available, because of a change in reporting classifications.

2/ Tobacco is generally aged about 2 years (and, at times, considerably longer) before being used in the production of cigarettes. Stocks are held by cooperatives, dealers, and cigarette manufacturers.

Table 21--Flue-cured tobacco, types 11-14, and burley tobacco, type 31: Acreage, yields, production, carryover, supply, disappearance, season average price, and price support operations, 1974-84 (farm-sales weight)

Marketing Year 1/	Acreage Harvested	Yield per acre	Marketings 2/	Beginning stocks 1/			Total supply
				Manufacturers and others	Under loan	Total	
	Thousand acres	Pounds	-- Million pounds--				
			Flue-cured, types 11-14				
1975	717.2	1,973	1,414.7	1,471.9	179.9	1,651.8	3,066.5
1976	666.6	1,974	1,316.0	3/ 1,539.1	359.2	3/ 1,898.3	3,214.3
1977	589.3	1,917	1,124.2	1,517.6	556.9	4/ 2,075.0	3,199.2
1978	602.1	2,046	1,205.9	1,517.9	534.0	4/ 2,051.9	3,257.8
1979	502.8	1,881	945.8	1,510.8	564.0	2,074.8	3,020.6
1980	555.1	1,957	1,086.1	1,411.0	554.4	1,965.4	3,051.5
1981	540.6	2,164	1,144.3	1,416.8	595.8	2,012.6	3,156.9
1982	472.3	2,131	993.8	1,626.4	518.7	2,145.1	3,138.9
1983	409.8	2,004	854.8	1,516.3	688.4	2,204.7	3,059.5
1984 5/	395.5	2,169	845.4	1,367.8	797.5	2,165.3	3,010.7
1985 6/						2,125.7	
			Burley, type 31				
1975	282.2	2,265	638.3	1,082.4	12.0	1,094.4	1,732.7
1976	285.8	2,376	663.8	3/ 1,115.3	44.8	3/ 1,160.1	1,823.7
1977	268.6	2,298	612.5	1,162.3	54.9	4/ 1,217.2	1,829.7
1978	261.4	2,396	617.6	1,087.0	113.5	4/ 1,218.4	1,836.0
1979	238.1	1,873	445.8	1,056.3	155.4	1,211.7	1,657.5
1980	276.6	2,027	557.5	959.5	66.3	1,025.8	1,583.3
1981	331.8	2,199	725.6	1,000.2	0	1,000.2	1,725.8
1982	346.2	2,374	776.7	1,120.2	.7	1,120.9	1,897.6
1983	292.6	1,645	526.7	1,092.6	226.1	1,318.7	1,845.4
1984 5/	317.8	2,329	700.0	967.2	377.2	1,344.4	2,044.4
1985 6/						1,504.4	

	Disappearance			Average price per pound	Price support level	Placed under loan	
	Total	Domestic	Exports			Quantity	Percentage of crop
	--Million pounds--			-- Cents --		Million pounds	Percent
			Flue-cured, types 11-14				
1974	1,200.6	652.3	548.3	105.0	83.3	23.0	1.9
1975	1,193.1	670.6	522.5	99.8	93.2	259.0	18.4
1976	1,148.2	634.0	514.2	110.4	106.0	277.3	21.0
1977	1,147.3	608.2	539.1	117.6	113.8	195.6	17.3
1978	1,182.8	584.1	598.7	135.0	121.0	64.1	5.3
1979	1,083.2	563.2	520.0	140.0	129.3	72.0	7.4
1980	1,038.5	529.6	508.9	144.5	141.5	137.2	12.6
1981	1,011.7	488.8	522.9	166.4	158.7	105.9	9.3
1982	934.5	478.8	455.9	178.5	169.9	259.9	26.3
1983	894.2	441.7	452.5	177.9	169.9	7/ 194.8	7/ 22.9
1984	6/ 885.0	6/ 435.0	6/ 450.0	181.0	169.9	159.2	18.8
			Burley, type 31				
1974	586.7	518.8	67.9	113.7	85.8	2.8	.4
1975	602.5	510.1	92.4	105.5	96.1	50.7	7.9
1976	606.3	489.6	116.8	114.2	109.3	46.6	7.0
1977	611.3	494.8	116.5	120.0	117.3	57.0	9.2
1978	624.3	502.8	121.4	131.2	124.7	67.7	10.8
1979	631.8	498.5	133.3	145.2	133.3	7.3	1.5
1980	583.1	477.6	105.5	165.9	145.9	.0	.0
1981	604.9	463.9	141.0	180.7	163.6	.8	.1
1982	578.9	444.1	134.8	181.0	175.1	269.2	35.0
1983	501.0	388.7	112.3	177.3	175.1	255.6	8/ 48.5
1984	6/ 540.0	6/ 395.0	6/ 145.0	187.6	175.1	9/ 113.4	9/ 26.5

1/ July 1 for flue-cured; October 1 for burley. 2/ Actual marketings in the marketing year. For 1984, estimated marketings. 3/ Adjusted for change in conversion factor January 1, 1977. 4/ Stocks revision January 1, 1979, report. 5/ Subject to revision. 6/ Estimated. 7/ Includes 163.1 million pounds from the 1983 crop and 31.7 million from the 1982 crop held by the Stabilization Cooperative and offered for sale in the 1983 marketing year. 8/ Percentage based on total burley marketings in 1983/84. 9/ Through December 12, 1984.

Source: Tobacco: Outlook and Situation Report, TS-190, Dec. 1984

Production declined to 527 million pounds in 1983 because of a poor crop and is projected to recover to 700 million pounds in 1984. Total stocks of domestic burley tobacco declined from 1.2 billion pounds in 1979 to 1.0 billion pounds in 1981, but then increased steadily to an estimated 1.3 billion pounds by 1984. During 1979-82, U.S. stocks of foreign-grown burley tobacco (as of October 1) increased steadily from 188 million pounds to 290 million pounds (table 22). Stocks declined to 271 million pounds in 1983. Stocks of foreign-grown burley tobacco were equal to 15.5 percent of stocks of domestic burley on October 1, 1979, compared with 21.6 percent on October 1, 1984.

Dark air-cured (types 35 and 36)

U.S. production of dark air-cured tobacco declined irregularly from 16.1 million pounds in 1979 to 14.3 million pounds in 1983 (table 23). Production is estimated at 17.6 million pounds for 1984. Stocks of dark air-cured tobacco on October 1 increased steadily during 1979-84, from 34.1 million pounds to an estimated 42.7 million pounds.

Fire-cured (types 21-23)

During 1979-83, production of Kentucky-Tennessee fire-cured tobacco ranged from 32.4 million pounds in 1981 to 47.7 million pounds in 1982 (table 24). USDA estimates 1984 production at 46.1 million pounds. During 1979-83, stocks of Kentucky-Tennessee fire-cured tobacco on October 1 ranged from 62.5 million pounds in 1982 to 68.7 million pounds in 1983 (table 24).

Virginia fire-cured tobacco production averaged about 4.9 million pounds during 1979-83, although actual production ranged from 3.6 million pounds in 1980 to 5.5 million pounds in 1982. USDA estimates 1984 production at 5.5 million pounds. During 1979-84, stocks on October 1 ranged from 8.3 million pounds in 1981 to 10.9 million pounds in 1979. Stocks are reported by USDA at 8.0 million pounds in 1984.

Ohio filler (types 42-44)

During 1979-82, production of these cigar filler tobaccos increased steadily from 2.0 million pounds to 3.5 million pounds (table 25). Production declined sharply in 1983 to 1.9 million pounds, and is estimated by USDA at 2.2 million pounds for 1984. Stocks on October 1 during 1979-84 ranged from 3.8 million pounds in 1980 to 6.3 million pounds in 1979. Stocks remained stable at 5.9 million pounds in 1983 and 1984.

Puerto Rican filler (type 46)

Production of Puerto Rican cigar filler tobacco declined steadily during 1979-82, from 2.0 million pounds to 300,000 pounds, and then increased to 800,000 pounds in 1983 (table 25). Production is estimated by USDA at 800,000 pounds in 1984. Stocks of Puerto Rican filler on October 1 increased from 6.9 million pounds in 1979 to 8.1 million pounds in 1980, but declined steadily thereafter, reaching 6.1 million pounds in 1984.

Table 22.--Foreign-grown flue-cured and burley tobacco: U.S. stocks as of July 1 for flue-cured tobacco and as of Oct. 1 for burley tobacco, 1974-84

(In millions of pounds, farm-sales weight)

Year	Flue-cured tobacco	Burley tobacco
1974	47	88
1975	70	136
1976	72	141
1977	109	138
1978	130	174
1979	147	188
1980	166	216
1981	161	265
1982	200	290
1983	213	271
1984	244	1/ 288

1/ Actual as of July 1.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 23 -Dark air-cured tobacco, types 35 36, and sun-cured tobacco type 37: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1975-84 (farm-sales weight)

Marketing yr. begin. Oct. 1	Acre. harvested	Yield per acre	Prod.	Beginning stocks: Mfrs. & other	Beginning stocks: Under loan	Beginning stocks: Total	Total supply
	Thousand acres	Pounds		Million pounds			
			Dark air-cured, types 35 36				
1975	8.0	1,750	14.0	32.7	1/	32.9	46.9
1976	9.3	1,660	15.1	28.2	-	28.2	43.3
1977	11.2	1,809	20.4	26.1	-	26.1	46.5
1978	11.2	1,969	22.2	30.4	1/	30.4	52.6
1979	9.7	1,665	16.1	30.0	4.1	34.1	50.2
1980	9.3	1,745	16.2	28.6	5.6	34.2	50.4
1981	9.7	1,614	15.7	29.6	6.8	36.4	52.1
1982	10.2	1,951	19.9	29.8	8.1	37.9	57.8
1983	8.7	1,643	14.3	29.2	13.1	42.3	56.6
1984 2/	9.0	1,956	17.6	33.1	9.5	42.7	60.3
			Sun-cured, type 37				
1975	.7	930	.7	2.3	0	2.3	3.0
1976	.7	1,115	.8	2.1	0	2.1	2.9
1977	.8	1,030	.8	1.8	0	1.8	2.6
1978	.7	1,205	.9	1.8	0	1.8	2.7
1979	.5	1,055	.6	2.2	0	2.2	2.8
1980	.4	1,010	.4	2.0	0	2.0	2.4
1981	.5	1,320	.7	1.6	0	1.6	2.3
1982	.6	1,290	.7	1.6	0	1.6	2.3
1983	.5	780	.4	1.5	0	1.5	1.9
1984 2/	.4	1,250	.6	1.4	0	1.4	2.0

Marketing yr. begin. Oct. 1	Disappearance: Total	Disappearance: Domestic	Disappearance: Exports	Aver. price per pound	Price support level	Placed under loan: Quantity	Placed under loan: Percent of crop
	Million pounds			Cents		Million pounds	Percent
				Dark air-cured, types 35-36			
1975	18.7	16.1	2.6	89.8	58.0	.1	.5
1976	17.2	15.1	2.1	116.6	65.9	1/	-
1977	16.1	13.6	2.4	117.7	70.7	1/	-
1978	18.4	15.7	2.7	99.1	75.2	4.3	19.7
1979	16.0	14.2	1.8	111.7	80.4	2.2	13.7
1980	14.0	12.0	2.0	126.5	88.0	1.4	8.6
1981	14.2	12.3	1.9	133.0	98.7	1.5	9.6
1982	15.5	14.6	.9	122.9	105.7	5.7	28.8
1983	13.9	11.7	2.2	151.3	105.7	1.2	8.6
1984					105.7		
				Sun-cured, type 37			
1975	.9	.7	.2	85.5	58.9	0	-
1976	1.1	.9	.2	105.0	65.9	0	-
1977	.8	.6	.1	100.0	70.7	3/ 13	1.6
1978	.5	.3	.2	88.8	75.2	3/ 109	12.4
1979	.8	.6	.2	90.8	80.4	3/ 30	5.2
1980	.8	.7	.1	127.1	88.0	0	0
1981	.7	.6	.1	131.7	98.7	3/ 4	.7
1982	.8	.7	.1	106.4	109.4	3/ 69	9.4
1983	.5	.4	.1	132.4	109.4	3/ 1	.3
1984					109.4		

1/ Less than 50,000 pounds. 2/ November 1, crop estimate. Economic Research Service estimates based on Crop Reporting Service State estimates and estimates by type within State with State funds when available. 3/ Quantity placed under loan in thousands of pounds.

Source: Tobacco: Outlook and Situation Report, TS-190, Dec. 1984

Table 24--Fire-cured tobacco, Kentucky-Tennessee types 22-23, and Virginia fire-cured type 21: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1975-84 (farm-sales weight)

Mkt. yr. begin. Oct. 1	Acre. harvested	Yield per acre	Prod.	Beginning stocks: Mfrs. & other	Beginning stocks: Under loan	Beginning stocks: Total	Total supply
	Thousand acres	Pounds	Million pounds				
	Kentucky-Tennessee fire-cured, types 22-23						
1975	18.4	1,772	32.6	40.5	.1	40.7	73.3
1976	21.2	1,567	33.2	42.6	1/	42.6	75.8
1977	25.6	1,767	45.2	41.2	1/	41.2	86.4
1978	27.1	1,898	51.4	50.0	1.0	51.0	102.4
1979	22.1	1,791	39.6	54.0	11.1	65.1	104.7
1980	19.4	1,680	32.6	48.9	19.1	68.0	100.6
1981	20.6	1,578	32.4	48.4	14.7	63.1	95.5
1982	23.5	2,030	47.7	54.5	8.0	62.5	110.2
1983	21.5	1,511	32.5	62.3	6.4	68.7	101.2
1984 2/	22.8	2,022	46.1	60.4	3.8	64.2	110.3
	Virginia fire-cured, type 21						
1975	5.0	975	4.9	7.1	.3	7.3	12.2
1976	5.3	1,000	5.3	7.4	1/	7.4	12.7
1977	7.2	1,000	7.2	7.0	1/	6.7	13.9
1978	6.1	1,120	6.8	7.9	.8	8.7	15.5
1979	4.8	1,135	5.4	8.2	2.7	10.9	16.3
1980	3.9	935	3.6	6.0	3.3	9.3	12.9
1981	4.1	1,265	5.2	5.7	2.6	8.3	13.5
1982	4.8	1,150	5.5	6.7	2.3	9.0	14.5
1983	4.7	985	4.6	7.9	2.4	10.3	14.9
1984 2/	4.5	1,222	5.5	5.6	2.4	8.0	13.5

	Disappearance: Total	Disappearance: Domestic	Disappearance: Exports	Aver. price per lb.	Price support level	Placed under loan: Quantity	Placed under loan: % of crop
	Million pounds			Cents		Million pounds	Percent
	Kentucky-Tennessee fire-cured, types 22-23						
1975	30.7	12.2	18.5	104.7	65.2	.1	.4
1976	34.6	11.2	23.4	142.4	74.1	1/	-
1977	35.4	17.4	18.0	132.3	79.5	1.1	2.4
1978	37.3	15.1	22.2	112.5	84.6	11.3	22.2
1979	36.7	18.0	18.7	115.2	90.3	11.4	28.8
1980	37.5	19.7	17.8	121.9	98.9	2.1	6.4
1981	33.0	14.5	18.5	161.1	111.0	1.1	2.8
1982	41.5	20.9	20.6	156.0	123.0	4.4	9.2
1983	37.0	16.4	20.6	181.7	123.0	2.0	6.0
1984					123.0		
	Virginia fire-cured, type 21						
1975	4.8	1.4	3.4	93.0	65.2	1/	.9
1976	6.1	3/ 2.0	4.1	118.0	74.1	.1	1.5
1977	5.2	2.8	2.4	96.2	79.5	1.0	14.4
1978	4.6	1.0	3.6	94.5	84.6	1.8	26.2
1979	7.0	3.2	3.8	107.9	90.3	.9	16.3
1980	4.6	2.6	2.0	128.1	98.9	.3	7.2
1981	4.5	1.8	2.7	131.7	111.0	.3	5.9
1982	4.2	2.7	1.5	117.6	118.8	.4	8.1
1983	6.9	4.8	2.1	126.8	118.8	.4	8.6
1984					118.8		

1/ Less than 50,000 pounds. 2/ November 1 crop estimate. Economic Research Service estimates based on Crop Reporting Service State estimates and estimates by type within States with State funds when available. 3/ Includes 400,000 pounds fire loss, December 1976.

Source: Tobacco: Outlook and Situation Report, TS-190, Dec. 1984

Table 25 -Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, 1975-84 (farm-sales weight)

Crop Year 1/	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks 1/	Total supply	Total	Domestic	Exports	
	Thousand acres	Pounds	Million pounds						Cents
Pennsylvania seedleaf filler (type 41)									
1975	12.0	1,650	19.8	49.2	69.0	22.2	21.8	.4	98.0
1976	13.5	1,750	23.6	46.8	70.4	20.7	20.3	.4	60.0
1977	13.5	1,940	26.2	49.7	75.9	21.8	21.6	.2	60.0
1978	13.0	1,940	25.2	54.1	79.3	23.6	23.5	.1	67.0
1979	11.2	1,580	17.7	55.7	73.4	24.3	24.0	.3	72.0
1980	13.0	1,900	24.7	49.1	73.8	21.7	21.4	.3	87.0
1981	13.3	2,050	27.3	52.1	79.4	27.1	26.9	.2	80.0
1982	10.7	2,000	21.4	52.3	73.7	19.6	19.2	.4	73.0
1983	7.7	1,850	14.2	54.1	68.3	20.3	20.0	.3	83.0
1984 2/	7.7	2,013	15.5	48.0	63.5				
Ohio, Miami, Valley filler (types 42-44)									
1975	2.1	1,620	3.4	5.9	9.3	3.6	3.6	-	60.0
1976	2.2	1,550	3.4	5.7	9.1	3.1	3.1	-	59.0
1977	1.8	2,025	3.6	6.0	9.6	2.6	2.6	-	62.0
1978	1.6	1,850	3.0	7.0	10.0	3.7	3.7	-	64.0
1979	1.3	1,500	2.0	6.3	8.3	4.5	4.5	-	87.0
1980	1.4	1,700	2.4	3.8	6.2	4.1	4.1	-	107.0
1981	1.7	1,440	2.5	4.0	6.5	2.1	2.1	-	105.0
1982	1.8	1,950	3.5	4.4	7.9	2.0	2.0	-	90.0
1983	1.4	1,370	1.9	5.9	7.8	1.9	1.9	-	75.0
1984 2/	1.2	1,833	2.2	5.9	8.1				
Puerto Rico filler (type 46) 3/									
1975	2.7	1,500	4.3	6.1	10.4	3.2	3.2	-	50.7
1976	2.8	1,429	4.1	7.2	11.3	4.9	4.9	--	57.6
1977	2.6	1,480	3.9	6.4	10.3	3.9	3.9	-	60.2
1978	2.2	1,400	3.1	6.4	9.5	2.6	2.6	-	57.0
1979	2.0	1,000	2.0	6.9	8.9	.8	.8	-	69.1
1980	1.1	1,380	1.5	8.1	9.6	1.6	1.6	-	73.5
1981	.6	1,000	.6	8.0	8.6	1.3	1.3	-	86.0
1982	.3	1,000	.3	7.3	7.6	.8	.8	-	91.0
1983	.8	1,000	.8	6.8	7.6	1.5	1.5	-	91.0
1984 2/	.8	1,000	.8	6.1	6.9				
Total cigar filler (types 41-46)									
1975	16.8	1,687	27.5	61.2	88.5	28.8	28.4	.4	56.2
1976	18.5	1,681	33.1	59.7	90.2	28.1	27.7	.4	59.4
1977	17.9	1,883	33.7	62.1	95.8	28.3	27.0	.3	60.2
1978	16.8	1,863	31.3	67.5	98.8	29.9	29.8	.1	61.5
1979	14.5	1,475	21.7	68.9	90.6	29.6	29.3	.3	73.1
1980	15.5	1,845	28.6	61.0	89.6	27.5	27.0	.5	87.5
1981	15.6	1,949	30.4	64.1	94.5	30.5	30.3	.2	82.1
1982	12.8	1,969	25.2	64.0	89.2	22.4	22.0	.4	75.6
1983	9.9	1,707	16.9	66.8	83.7	23.7	23.4	.3	82.4
1984 2/	9.7	1,907	18.5	60.0	78.5				
Connecticut Valley binder (types 51-52)									
1975	1.5	1,582	2.4	6.2	8.6	4.3	4.1	.2	92.7
1976	1.5	1,605	2.4	4.3	6.7	2.4	2.3	.1	89.6
1977	1.4	1,784	2.5	4.3	6.8	1.9	1.9	*	121.3
1978	1.5	1,734	2.6	4.9	7.5	2.1	2.0	.1	144.9
1979	1.5	1,637	2.4	5.5	7.9	2.2	2.0	.2	161.5
1980	1.5	1,790	2.6	5.7	8.3	2.2	2.0	.2	178.8
1981	1.7	1,998	3.5	6.1	9.6	2.5	2.4	.1	182.1
1982	2.1	1,685	3.5	7.1	10.6	3.3	3.1	.2	180.9
1983	1.4	1,843	2.6	7.3	9.9	3.2	3.0	.2	155.9
1984 2/	1.1	1,794	1.9	6.7	8.6				
Southern Wisconsin binder (type 54)									
1975	5.6	1,945	10.9	19.8	30.7	7.5	7.5	--	75.1
1976	5.6	1,890	10.6	23.2	33.8	10.0	10.0	--	74.7
1977	6.2	2,020	12.5	23.8	36.3	10.2	10.2	--	84.6
1978	6.2	1,800	11.2	26.0	37.2	11.4	11.4	--	100.5
1979	6.3	2,080	13.1	25.8	38.9	-	-	--	117.0
1980	6.3	2,110	13.3	5/	-	-	-	--	125.0
1981	6.4	2,150	13.8	5/	-	-	-	--	113.0
1982	5.1	2,110	10.8	5/	-	-		--	106.0
1983	--	--	--	5/	-	-	-	--	110.0
1984 4/	--	--	--	5/	--	--	--	--	

See footnotes at end of table.

Continued

Table 25--Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, 1975-84 (farm-sales weight)--continued

Crop year 1/	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks 1/	Total supply	Total	Domestic	Exports	
	Thousand acres	Pounds	Million pounds						Cents
			Northern Wisconsin binder (type 55)						
1975	5.4	1,835	9.9	15.8	25.7	9.7	9.6	.1	75.1
1976	5.5	1,750	9.6	16.0	25.6	9.4	9.4	*	75.2
1977	5.8	2,045	11.9	16.2	28.1	9.1	9.1	.1	85.5
1978	5.9	1,550	9.1	19.1	28.2	8.9	8.9	.1	100.5
1979	6.6	1,810	11.9	19.3	31.2	--	--	*	117.0
1980	6.6	1,920	12.7	5/	--	--	--	--	125.0
1981	7.3	1,725	12.6	5/	--	--	--	--	108.0
1982	5.0	1,875	9.4	5/	--	--	--	--	101.0
1983	--	--	--	5/	--	--	--	--	109.0
1984 4/	--	--	--	5/	--	--	--	--	
			Total Wisconsin binder (types 54-55)						
1975	11.0	1,891	20.8	35.6	56.4	17.2	17.1	.1	75.1
1976	11.1	1,821	20.2	39.2	59.4	19.4	19.4	*	75.2
1977	12.0	2,032	24.4	40.0	64.4	19.3	19.3	.1	85.0
1978	12.1	1,678	20.3	45.1	65.4	20.1	20.1	*	100.5
1979	12.9	1,942	25.0	45.3	70.3	21.4	21.4	*	117.0
1980	12.9	2,013	26.0	48.9	74.9	21.3	21.3	*	125.0
1981	13.7	1,924	26.4	53.6	80.0	20.0	20.0	*	110.6
1982	10.1	1,994	20.1	60.0	80.1	19.8	19.8	*	103.7
1983	8.4	1,919	16.1	60.3	76.4	17.9	17.9	*	109.5
1984 2/	7.9	1,950	15.4	58.5	73.9				
			Total Cigar binder (types 51-55)						
1975	12.5	1,851	23.2	41.8	65.0	21.5	21.2	.3	76.9
1976	12.6	1,795	22.6	43.5	66.1	21.8	21.6	.2	76.5
1977	13.4	2,007	26.8	44.3	71.1	21.1	21.1	.1	88.4
1978	13.6	1,684	22.9	50.0	72.9	22.2	22.2	.1	105.6
1979	14.4	1,911	27.5	50.8	78.3	23.6	23.4	.2	120.9
1980	14.4	1,985	28.6	54.6	83.2	23.5	23.3	.2	129.9
1981	15.4	1,932	29.8	59.7	89.5	22.5	22.4	.1	118.9
1982	12.2	1,941	23.7	67.1	90.8	23.1	22.9	.2	115.2
1983	9.8	1,908	18.7	67.6	86.3	21.1	20.9	.2	115.8
1984 2/	9.0	1,922	17.3	65.2	82.5				
			Connecticut Valley shade-grown (type 61)						
1975	4.4	1,371	6.0	9.5	15.5	8.0	4.2	3.8	640.0
1976	4.2	1,555	6.6	7.5	14.1	5.2	1.8	3.4	540.0
1977	3.3	1,544	5.1	8.9	14.0	4.7	.5	4.2	600.0
1978	2.7	1,392	3.8	9.3	13.1	5.0	.1	4.9	750.0
1979	2.7	1,472	4.0	8.1	12.1	5.4	.5	4.9	850.0
1980	3.0	1,513	4.5	6.8	11.3	5.9	2.3	3.6	980.0
1981	2.6	1,592	4.1	5.3	9.4	4.5	2.9	1.6	1000.0
1982	1.1	1,421	1.6	4.9	6.5	3.2	2.2	1.0	1250.0
1983	1.0	1,706	1.7	3.3	5.0	1.3	.4	.9	1100.0
1984 2/	1.2	1,454	1.8	3.7	5.5				
			Total shade-grown (types 61-62) 6/						
1975	5.5	1,409	7.7	15.7	23.4	9.8	5.6	4.2	585.7
1976	4.6	1,565	7.2	13.6	20.8	7.7	3.8	3.8	528.2
1977	3.4	1,547	5.3	13.1	18.4	5.8	1.0	4.8	591.4
1978	2.7	1,392	3.8	12.7	16.5	6.3	1.0	5.3	750.0
1979	2.7	1,472	4.0	10.2	14.2	6.5	1.1	5.4	850.0
1980	3.0	1,513	4.5	7.8	12.3	6.1	2.2	3.9	980.0
1981	2.6	1,592	4.1	6.2	10.2	5.0	3.4	1.6	1000.0
1982	1.1	1,421	1.6	5.2	6.8	3.4	2.4	1.0	1250.0
1983	1.0	1,706	1.7	3.4	5.1	1.4	.4	1.0	1100.0
1984 2/	1.2	1,454	1.8	3.7	5.5				
			Grand total cigar tobacco (types 41-62)						
1975	34.8	1,678	58.4	118.6	177.1	60.3	55.4	4.9	135.1
1976	35.7	1,709	61.0	116.8	177.7	58.2	53.7	4.4	121.4
1977	34.7	1,900	65.9	119.5	185.4	55.2	50.0	5.2	114.9
1978	33.1	1,752	58.0	130.1	188.2	58.6	53.2	5.5	122.1
1979	31.6	1,684	53.2	129.9	183.1	59.7	53.8	5.9	156.4
1980	32.9	1,875	61.7	123.4	185.1	57.1	52.5	4.6	175.3
1981	33.6	1,914	64.3	130.0	194.3	58.0	56.1	1.9	158.3
1982	26.1	1,933	50.5	136.3	186.8	48.9	47.3	1.6	131.2
1983	20.7	1,802	37.3	137.8	175.1	46.2	44.7	1.5	145.7
1984 2/	19.9	1,889	37.6	128.9	166.5				

1/ October 1 for types 41-55; July 1 for types 61-62. 2/ November 1, crop estimate. Economic Research Service estimates based on Crop Reporting Service State estimates and estimates by type within States with State funds when available. 3/ Puerto Rican planting occurs late in calendar year. Price per pound excludes payment by Puerto Rican Government. 4/ See total for types 54 and 55. 5/ Not available. 6/ Includes Georgia-Florida shade-grown, type 62, which has not been grown since 1978. July 1, 1984, stocks were 0.1 million pounds. See TS-176 for annual supply and disappearance. *Less than 50,000 pounds.

Source: Tobacco: Outlook and Situation Report, TS-190, Dec. 1984.

Connecticut binder (types 51 and 52)

Production of this binder tobacco increased steadily during 1979-81, from 2.4 million pounds to 3.5 million pounds, remained stable at 3.5 million pounds in 1982, and then declined to 2.6 million pounds in 1983 (table 25). Production is estimated to decline further to 1.9 million pounds in 1984. Stocks on October 1 increased steadily during 1979-83, from 5.5 million pounds to 7.3 million pounds. However, stock levels declined in 1984 to 6.7 million pounds.

Wisconsin binder (types 54 and 55)

Wisconsin cigar binder production increased from 25.0 million pounds in 1979 to 26.4 million pounds in 1981; however, production declined steadily thereafter, reaching 16.1 million pounds in 1983 (table 25). Production for 1984 is estimated by USDA at 15.4 million pounds. During 1979-83, stocks on October 1 increased steadily from 45.3 million pounds to 60.3 million pounds. In 1984, stocks declined to 58.5 million pounds.

Manufactured tobacco products

U.S. production of cigarettes increased steadily from 704 billion cigarettes in 1979 to 737 billion cigarettes in 1981 (table 16). Production then declined to 694 billion cigarettes in 1982 and to 667 billion in 1983, reflecting decreased consumer demand at the retail level. The USDA's annual survey of cigarette manufacturers indicates that in 1983 more than 90 percent of the cigarettes produced were filter tipped and over 50 percent were low-tar (cigarettes containing 15 milligrams of tar or less).

Domestic production of cigars during 1979-83 declined steadily from 6.0 billion to 4.9 billion (table 20). Production has mirrored the declining consumption trend. In 1983, USDA reports about 70 percent of domestic production consisted of large cigars (weighing more than 3 pounds per 1,000), while small cigars made up the remainder.

U.S. production of snuff and chewing tobacco also mirrored consumption of these products during 1981-83, as imports of these items were nil or negligible. Snuff production increased steadily from 42.5 million pounds in 1981 to 46.7 million pounds in 1983. The USDA reports chewing tobacco production declined irregularly from 90.0 million pounds in 1981 (90.4 million pounds in 1982) to 86.8 million pounds in 1983. Smoking tobacco production declined steadily during 1981-83, from 30.3 million pounds in 1981 to 28.0 million pounds in 1983 (table 18).

U.S. Exports

General statistics

The United States is the world's major tobacco-exporting country and has a worldwide reputation of producing tobacco of the highest quality. During 1979-83, U.S. exports of tobacco were equivalent to about one-third of the domestic crop and about 18 percent of world exports. U.S. exports of all tobacco and tobacco products were valued at $2.65 billion in 1983. This amount consisted of $1.46 billion of unmanufactured tobacco and $1.19 billion of manufactured tobacco products.

However, since 1980, U.S. exports of unmanufactured tobacco have declined, from 599 million pounds to 522 million pounds, while the U.S. share of the world market has declined from 20 percent to 17 percent. USDA reports that various factors have influenced the decline in exports including: (1) increased excise taxes on cigarettes in several European countries, which reduced their demand for U.S. cigarette tobacco; (2) the high cost of U.S. tobacco and the strength of the U.S. dollar compared with foreign currencies (this raised costs to importers and caused a further shift to foreign tobacco); and (3) high interest rates, which limited foreign manufacturers' ability to carry stocks. 1/

Tobacco items similar to the imported items under investigation

During 1979-83, U.S. exports of manufactured tobacco items similar to the imported items under investigation declined irregularly from 567 million pounds, valued at $1.2 billion, to 524 million pounds, valued at $1.5 billion (table 26). 2/ Cigarette filler tobacco, including flue-cured and burley, accounted for $1.27 billion (87 percent) of the 1983 value of these exports (table 27). In 1983, the chief markets for these tobacco exports were Japan (26 percent, by value), West Germany (11 percent), Spain (8 percent), Italy (7 percent), and the United Kingdom (6 percent). USDA reports increasing competition from foreign products both in terms of quality and price.

Flue-cured.--The bulk of U.S. exports of tobacco consists of the flue-cured type. In 1983, the value of exports of flue-cured tobacco amounted to $973 million, or 67 percent of the value of unmanufactured exports similar to the imported items under investigation (table 28). U.S. exports of flue-cured tobacco increased from 371 million pounds, valued at $871 million, in 1979 to 391 million pounds, valued at $969 million, in 1980. Thereafter, exports declined steadily, reaching 311 million pounds, valued at $973 million, in 1983. Japan (24 percent, by value), Spain (11 percent), and West Germany (10 percent) were the major markets in 1983.

Burley.--During 1979-83, U.S. exports of burley tobacco increased irregularly from 82 million pounds, valued at $192 million, to 91 million pounds, valued at $300 million (table 29). U.S. exports peaked in 1982, when a record domestic crop was produced. Japan (33 percent, by value), West Germany (13 percent), and Italy (13 percent) were the major markets in 1983.

1/ USDA Tobacco Outlook and Situation Report, March 1984, p. 6.

2/ Table 26 includes all unmanufactured tobacco.

Table 26 --Unmanufactured tobacco: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Japan	95,929	82,138	116,983	110,319	114,177	89,088	61,303
Fr Germ	67,700	100,675	83,155	68,150	57,999	56,840	60,789
Spain	1,012	28,675	33,389	31,828	40,216	36,402	0
Italy	34,764	30,657	26,489	28,073	32,195	32,195	30,545
U King	68,153	32,470	39,426	30,651	27,780	24,607	29,623
Nethlds	29,271	44,920	28,606	25,121	28,313	26,561	20,236
Switzld	19,303	20,097	22,223	26,739	18,256	15,983	24,281
China t	41,478	14,116	22,266	21,279	19,946	4,019	7,301
All other	209,823	244,932	211,991	229,900	185,561	177,614	231,114
Total	567,431	598,679	584,529	572,061	524,444	463,309	465,193
	Value (1,000 dollars)						
Japan	228,656	197,159	301,698	309,920	338,480	265,073	194,071
Fr Germ	127,557	215,448	198,372	179,363	150,745	149,745	164,979
Spain	1,782	61,186	82,866	96,480	128,650	116,213	-
Italy	69,274	65,307	63,091	74,769	88,928	88,928	88,284
U King	139,794	78,236	94,765	74,943	72,585	63,419	77,490
Nethlds	60,033	94,440	63,391	60,962	72,426	67,004	58,595
Switzld	32,394	40,233	58,023	77,195	53,300	46,759	60,278
China t	92,511	37,013	62,925	58,167	50,732	11,804	18,958
All other	432,171	545,044	532,319	614,741	505,821	480,345	637,276
Total	1,184,170	1,334,066	1,457,451	1,546,541	1,461,668	1,289,291	1,299,931
	Unit value (per pound)						
Japan	$2.38	$2.40	$2.58	$2.81	$2.96	$2.98	$3.17
Fr Germ	1.88	2.14	2.39	2.63	2.60	2.63	2.71
Spain	1.76	2.13	2.48	3.03	3.20	3.19	-
Italy	1.99	2.13	2.38	2.66	2.76	2.76	2.89
U King	2.05	2.41	2.40	2.45	2.61	2.58	2.62
Nethlds	2.05	2.10	2.22	2.43	2.56	2.52	2.90
Switzld	1.68	2.00	2.61	2.89	2.92	2.93	2.48
China t	2.23	2.62	2.83	2.73	2.54	2.94	2.60
All other	2.06	2.23	2.51	2.67	2.73	2.70	2.76
Average	2.09	2.23	2.49	2.70	2.79	2.78	2.79

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 27- --Filler tobacco, flue-cured and burley(declared wt): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Japan	81,115	62,311	87,291	83,358	90,670	70,761	53,359
Fr Germ	53,615	87,167	68,779	56,417	44,966	44,703	50,237
Spain	678	23,556	28,087	27,161	32,659	28,845	0
Italy	33,320	30,086	26,179	26,714	31,904	31,904	28,884
U King	54,755	26,117	30,940	24,523	22,442	19,688	23,589
China t	41,473	14,075	22,266	19,504	17,463	3,898	6,801
Denmark	8,854	12,705	9,131	10,917	14,035	13,648	9,507
Phil R	10,625	10,545	10,010	14,265	10,270	10,270	4,567
All other	168,266	215,289	177,695	189,191	137,014	129,413	184,255
Total	452,701	481,852	460,378	452,050	401,423	353,130	361,198
	Value (1,000 dollars)						
Japan	226,959	194,871	297,762	306,633	335,398	262,869	193,117
Fr Germ	117,794	205,168	187,316	166,557	134,348	133,492	153,421
Spain	1,369	49,689	68,389	79,118	102,382	89,945	-
Italy	66,350	64,792	62,807	71,016	88,115	88,115	86,815
U King	129,745	68,498	87,379	73,025	71,487	62,520	75,539
China t	92,504	36,993	62,925	57,899	50,363	11,786	18,887
Denmark	20,514	31,510	24,220	30,641	43,814	42,592	32,029
Phil R	26,774	28,503	30,489	48,888	38,989	38,989	14,572
All other	380,824	523,042	479,399	545,006	408,283	382,793	555,995
Total	1,062,834	1,203,067	1,300,685	1,378,783	1,273,179	1,113,100	1,130,376
	Unit value (per pound)						
Japan	$2.80	$3.13	$3.41	$3.68	$3.70	$3.71	$3.62
Fr Germ	2.20	2.35	2.72	2.95	2.99	2.99	3.05
Spain	2.02	2.11	2.43	2.91	3.13	3.12	-
Italy	1.99	2.15	2.40	2.66	2.76	2.76	3.01
U King	2.37	2.62	2.82	2.98	3.19	3.18	3.20
China t	2.23	2.63	2.83	2.97	2.88	3.02	2.78
Denmark	2.32	2.48	2.65	2.81	3.12	3.12	3.37
Phil R	2.52	2.70	3.05	3.43	3.80	3.80	3.19
All other	2.26	2.43	2.70	2.88	2.98	2.96	3.02
Average	2.35	2.50	2.83	3.05	3.17	3.15	3.13

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 28.-Filler tobacco, flue-cured(declared wt): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Japan	66,279	52,677	73,699	66,029	64,316	44,754	42,679
Spain	674	23,176	28,087	27,161	32,568	28,754	0
Fr Germ	42,404	63,087	51,175	36,576	32,720	32,586	38,511
U King	51,563	24,898	30,296	22,732	22,333	19,645	23,480
China t	41,306	14,075	22,266	19,504	17,463	3,898	6,801
Italy	16,878	19,706	14,675	14,714	17,361	17,361	17,177
Denmark	7,780	8,434	8,263	9,041	11,077	10,690	7,513
Cnry I	3,968	12,978	12,240	8,620	10,733	10,733	0
All other	139,789	172,019	145,525	144,026	102,021	95,353	155,061
Total	370,641	391,051	386,224	348,404	310,592	263,773	291,222
	Value (1,000 dollars)						
Japan	185,713	164,994	252,241	242,048	235,422	164,252	153,381
Spain	1,363	49,217	68,389	79,118	102,056	89,619	-
Fr Germ	91,711	144,301	136,887	105,289	95,271	94,884	115,384
U King	122,310	65,310	85,494	67,527	71,116	62,408	75,121
China t	92,213	36,993	62,925	57,899	50,363	11,786	18,887
Italy	35,583	43,847	36,823	40,423	50,169	50,169	49,539
Denmark	18,269	21,659	22,059	25,549	34,527	33,305	25,013
Cnry I	7,679	27,023	30,138	25,040	33,417	33,417	-
All other	315,898	416,076	390,250	410,421	300,841	278,850	463,353
Total	870,739	969,420	1,085,207	1,053,315	973,181	818,689	900,677
	Unit value (per pound)						
Japan	$2.80	$3.13	$3.42	$3.67	$3.66	$3.67	$3.59
Spain	2.02	2.12	2.43	2.91	3.13	3.12	-
Fr Germ	2.16	2.29	2.67	2.88	2.91	2.91	3.00
U King	2.37	2.62	2.82	2.97	3.18	3.18	3.20
China t	2.23	2.63	2.83	2.97	2.88	3.02	2.78
Italy	2.11	2.23	2.51	2.75	2.89	2.89	2.88
Denmark	2.35	2.57	2.67	2.83	3.12	3.12	3.33
Cnry I	1.94	2.08	2.46	2.90	3.11	3.11	-
All other	2.26	2.42	2.68	2.85	2.95	2.92	2.99
Average	2.35	2.48	2.81	3.02	3.13	3.10	3.09

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 29.-Filler tobacco, burley tobacco(declared wt): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November 1983	January-November 1984
	Quantity (1,000 pounds)						
Japan	14,835	9,633	13,593	17,328	26,354	26,006	10,681
Fr Germ	11,212	24,080	17,604	19,841	12,246	12,117	11,726
Italy	16,442	10,381	11,504	11,999	14,542	14,542	11,707
Phil R	5,808	3,282	3,693	6,861	5,751	5,751	3,111
Switzld	5,429	2,316	6,943	10,199	7,115	7,047	3,370
Sweden	1,898	2,448	1,815	1,967	3,384	2,886	2,019
Denmark	1,074	4,271	868	1,876	2,958	2,958	1,994
Egypt	1,005	1,199	265	1,473	3,483	3,483	6,650
All other	24,357	33,190	17,869	32,100	14,997	14,565	18,719
Total	82,060	90,801	74,154	103,646	90,831	89,356	69,976
	Value (1,000 dollars)						
Japan	41,247	29,877	45,521	64,585	99,976	98,617	39,736
Fr Germ	26,083	60,867	50,428	61,268	39,078	38,608	38,038
Italy	30,767	20,945	25,983	30,593	37,945	37,945	37,277
Phil R	15,432	9,017	12,484	26,024	23,806	23,806	11,307
Switzld	13,023	6,063	20,378	31,537	22,943	22,707	12,171
Sweden	4,659	6,413	5,415	6,475	11,521	9,659	7,391
Denmark	2,246	9,851	2,161	5,092	9,287	9,287	7,016
Egypt	1,938	2,648	463	3,574	8,447	8,447	15,813
All other	56,702	87,968	52,645	96,319	46,994	45,335	60,950
Total	192,095	233,647	215,478	325,468	299,998	294,411	229,699
	Unit value (per pound)						
Japan	$2.78	$3.10	$3.35	$3.73	$3.79	$3.79	$3.72
Fr Germ	2.33	2.53	2.86	3.09	3.19	3.19	3.24
Italy	1.87	2.02	2.26	2.55	2.61	2.61	3.18
Phil R	2.66	2.75	3.38	3.79	4.14	4.14	3.63
Switzld	2.40	2.62	2.94	3.09	3.22	3.22	3.61
Sweden	2.45	2.62	2.98	3.29	3.40	3.35	3.66
Denmark	2.09	2.31	2.49	2.71	3.14	3.14	3.52
Egypt	1.93	2.21	1.75	2.43	2.43	2.43	2.38
All other	2.33	2.65	2.95	3.00	3.13	3.11	3.26
Average	2.34	2.57	2.91	3.14	3.30	3.29	3.28

Source: Compiled from official statistics of the U.S. Department of Commerce.

Dark air-cured.--The quantity of exports of dark air-cured tobacco was negligible compared with those of flue-cured and burley tobacco in 1979-83. These exports ranged from 222,000 pounds, valued at $431,000, in 1982 to 124,000 pounds, valued at $276,000 in 1983 (table 30). Nepal accounted for 67 percent (by value) of 1983 exports, and the United Kingdom accounted for 21 percent.

Fire-cured.--During 1979-82, fire-cured tobacco exports increased steadily from 16.8 million pounds, valued at $28.2 million, to 21.5 million pounds, valued at $40.5 million (table 31). Exports declined slightly in 1983, to 20.7 million pounds, valued at $42.1 million. About 69 percent of U.S exports (by value) in 1983 went to the Netherlands, while France and Sweden accounted for 7 percent and 5 percent, respectively.

Connecticut binder.--U.S. exports of Connecticut Valley cigar binder followed no consistent pattern in 1979-83 (table 32). Exports ranged from 61,227 pounds, valued at $62,415, in 1979 to 227,924 pounds, valued at $238,614 in 1980. Colombia accounted for 49 percent of the value of 1983 exports.

Wisconsin and other cigar binder.--The quantity of exports of Wisconsin and other cigar binder tobacco is small. During 1979-83, exports of these tobaccos were irregular, ranging from 1,989 pounds, valued at $5,589 in 1980 to 32,667 pounds, valued at $234,428 in 1981 (table 33). Honduras was the major market in 1983, as it accounted for 39 percent (by value) of the exports.

Cigar filler.--During 1979-83, exports of cigar filler tobacco ranged from 155,556 pounds, valued at $316,805, in 1979 to 486,581 pounds, valued at $2.1 million, in 1981 (table 34). The Dominican Republic accounted for 61 percent of the value of 1983 exports.

Manufactured tobacco products.--The United States is a major world exporter of cigarettes, accounting for about 23 percent of world exports during 1979-83. U.S. exports increased from 80 billion cigarettes, valued at $909 million, in 1979 to 83 billion cigarettes, valued at $1.2 billion, in 1981. However, exports then declined to 74 billion cigarettes, valued at $1.2 billion, in 1982 and to 61 billion cigarettes, valued at $1.1 billion, in 1983 (table 35). Belgium (22 percent, by value), Hong Kong (12 percent), and Saudi Arabia (12 percent) were the major markets in 1983. Officials at the USDA indicate that various factors, including foreign consumers' concern about the health hazards of smoking and increased foreign excise taxes on cigarettes, influenced the decline in exports in 1982 and 1983.

During 1979-83, U.S. exports of cigars declined irregularly from 177 million cigars, valued at $8.8 million, to 130 million cigars, valued at $8.5 million (table 36). The United Kingdom was the chief market, accounting for 19 percent of the value of 1983 exports. West Germany and the Netherlands were other major markets, accounting for 9 percent and 8 percent, respectively. In recent years, approximately 80 percent of the exports consisted of large cigars (weighing more than 3 pounds per 1,000), while small cigars made up the remainder.

Table 30---Dark air-cured leaf tobacco(declared wt): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Nepal	0	0	0	126	84	84	0
U King	41	14	41	25	23	23	6
Fr Germ	0	0	21	33	16	16	0
Lw WW I	0	0	0	0	1	1	0
Belgium	0	103	108	22	0	0	0
Panama	0	0	0	16	0	0	0
Nethlds	0	0	2	0	0	0	3
Bahamas	0	12	0	0	0	0	13
All other	160	0	0	0	0	0	68
Total	201	129	172	222	124	124	90
	Value (1,000 dollars)						
Nepal	-	-	-	215	185	185	-
U King	80	18	116	69	57	57	12
Fr Germ	-	-	45	81	32	32	-
Lw WW I	-	-	-	-	2	2	-
Belgium	-	202	228	59	-	-	-
Panama	-	-	-	7	-	-	-
Nethlds	-	-	1	-	-	-	7
Bahamas	-	15	-	-	-	-	16
All other	98	-	-	-	-	-	141
Total	177	235	390	431	276	276	176
	Unit value (per pound)						
Nepal	-	-	-	$1.71	$2.20	$2.20	-
U King	1.92	1.24	2.82	2.72	2.50	2.50	2.00
Fr Germ	-	-	2.17	2.47	2.00	2.00	-
Lw WW I	-	-	-	-	1.53	1.53	-
Belgium	-	1.97	2.11	2.65	-	-	-
Panama	-	-	-	0.43	-	-	-
Nethlds	-	-	0.43	-	-	-	2.31
Bahamas	-	1.22	-	-	-	-	1.24
All other	0.61	-	-	-	-	-	2.07
Average	0.88	1.82	2.27	1.94	2.22	2.22	1.96

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 31--Fire-cured leaf tobacco(declared wt): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Nethlds	4,968	9,553	9,980	10,985	14,673	13,710	9,348
France	3,915	1,029	2,051	839	1,322	1,322	1,006
Sweden	727	864	458	1,107	1,044	1,044	768
Fr Germ	686	848	362	743	473	473	247
Norway	1,837	1,684	1,037	1,190	395	395	1,447
Switzld	811	338	512	327	478	416	131
Denmark	262	178	88	182	366	366	248
Indnsia	397	571	1,193	2,363	379	379	232
All other	3,226	2,424	2,128	3,786	1,579	1,547	2,137
Total	16,828	17,489	17,809	21,522	20,709	19,651	15,564
	Value (1,000 dollars)						
Nethlds	7,726	14,707	16,646	19,636	28,975	27,039	19,967
France	6,901	1,950	4,122	1,815	2,893	2,893	2,485
Sweden	1,269	1,625	993	2,038	2,280	2,280	1,826
Fr Germ	1,244	1,700	769	1,659	1,145	1,145	664
Norway	3,263	3,228	2,438	3,115	973	973	3,377
Switzld	918	601	974	658	933	840	269
Denmark	606	415	215	375	892	892	567
Indnsia	673	1,087	2,486	3,865	872	872	519
All other	5,591	4,289	4,264	7,305	3,110	3,070	4,522
Total	28,190	29,603	32,905	40,467	42,074	40,005	34,196
	Unit value (per pound)						
Nethlds	$1.56	$1.54	$1.67	$1.79	$1.97	$1.97	$2.14
France	1.76	1.89	2.01	2.16	2.19	2.19	2.47
Sweden	1.75	1.88	2.17	1.84	2.18	2.18	2.38
Fr Germ	1.81	2.01	2.13	2.23	2.42	2.42	2.69
Norway	1.78	1.92	2.35	2.62	2.46	2.46	2.33
Switzld	1.13	1.78	1.90	2.01	1.95	2.02	2.05
Denmark	2.32	2.34	2.43	2.06	2.44	2.44	2.29
Indnsia	1.70	1.90	2.08	1.64	2.30	2.30	2.23
All other	1.73	1.77	2.00	1.93	1.97	1.99	2.12
Average	1.68	1.69	1.85	1.88	2.03	2.04	2.20

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 32.--Cigar binder tobacco (Connecticut valley): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (pounds)						
Dom Rep	51,877	103,227	0	0	57,747	57,747	0
Canada	9,350	108,502	113,240	52,621	55,162	55,162	130,316
Benin	0	0	0	0	25,000	25,000	0
Belgium	0	9,212	0	0	7,917	7,917	0
Hondura	0	0	0	0	4,128	4,128	14,912
Azores	0	0	0	21,407	0	0	0
Uruguay	0	0	0	780	0	0	0
Jamaica	0	5,484	0	0	0	0	0
All other	0	1,499	0	0	0	0	16,168
Total	61,227	227,924	113,240	74,808	149,954	149,954	161,396
	Value (1,000 dollars)						
Dom Rep	53	105	-	-	125	125	-
Canada	10	110	118	61	63	63	136
Benin	-	-	-	-	55	55	-
Belgium	-	14	-	-	8	8	-
Hondura	-	-	-	-	4	4	60
Azores	-	-	-	15	-	-	-
Uruguay	-	-	-	7	-	-	-
Jamaica	-	6	-	-	-	-	-
All other	-	3	-	-	-	-	24
Total	62	239	118	83	255	255	219
	Unit value (per pound)						
Dom Rep	$1.02	$1.02	-	-	$2.16	$2.16	-
Canada	1.02	1.02	1.04	1.16	1.14	1.14	1.04
Benin	-	-	-	-	2.20	2.20	-
Belgium	-	1.50	-	-	1.02	1.02	-
Hondura	-	-	-	-	1.00	1.00	4.00
Azores	-	-	-	0.69	-	-	-
Uruguay	-	-	-	8.60	-	-	-
Jamaica	-	1.02	-	-	-	-	-
All other	-	2.30	-	-	-	-	1.47
Average	1.02	1.05	1.04	1.10	1.70	1.70	1.36

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 33- --Wisconsin and other binder (not including Connecticut valley): U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (pounds)						
Hondura	0	0	0	0	13,940	13,940	0
Lw WW I	0	0	0	0	5,306	5,306	0
Cnry I	0	0	0	0	7,157	7,157	0
Canada	6,724	0	0	0	2,293	2,293	1,323
Panama	0	0	4,492	7,115	0	0	0
Dom Rep	1,755	0	23,526	0	0	0	1,860
Rep Saf	0	882	884	0	0	0	0
N Antil	0	0	3,765	0	0	0	0
All other	0	1,107	0	0	0	0	19,498
Total	8,479	1,989	32,667	7,115	28,696	28,696	22,681
	Value (1,000 dollars)						
Hondura	-	-	-	-	54	54	-
Lw WW I	-	-	-	-	39	39	-
Cnry I	-	-	-	-	39	39	-
Canada	26	-	-	-	8	8	2
Panama	-	-	13	20	-	-	-
Dom Rep	18	-	215	-	-	-	2
Rep Saf	-	3	4	-	-	-	-
N Antil	-	-	2	-	-	-	-
All other	-	3	-	-	-	-	29
Total	44	6	234	20	140	140	33
	Unit value (per pound)						
Hondura	-	-	-	-	$3.88	$3.88	-
Lw WW I	-	-	-	-	7.36	7.36	-
Cnry I	-	-	-	-	5.43	5.43	-
Canada	3.94	-	-	-	3.50	3.50	1.68
Panama	-	-	2.89	2.83	-	-	-
Dom Rep	10.13	-	9.15	-	-	-	1.00
Rep Saf	-	3.45	4.50	-	-	-	-
N Antil	-	-	0.58	-	-	-	-
All other	-	2.30	-	-	-	-	1.47
Average	5.22	2.81	7.18	2.83	4.88	4.88	1.44

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 34--Cigar filler tobacco: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November 1983	January-November 1984
	Quantity (1,000 pounds)						
Dom Rep	0	55	309	176	221	204	170
France	117	50	155	38	53	53	0
Spain	0	0	0	0	19	19	0
Belgium	0	6	0	0	13	13	0
Venez	0	0	0	0	3	3	0
Lw WW I	0	0	0	20	1	1	1/
Nethlds	1/	76	5	0	0	0	0
Canada	20	0	17	0	0	0	0
All other	18	53	1	0	0	0	93
Total	156	239	487	234	311	293	263
	Value (1,000 dollars)						
Dom Rep	-	65	1,805	180	335	316	173
France	239	92	230	66	97	97	-
Spain	-	-	-	-	71	71	-
Belgium	-	7	-	-	18	18	-
Venez	-	-	-	-	16	16	-
Lw WW I	-	-	-	20	14	14	1
Nethlds	1	103	49	-	-	-	-
Canada	10	-	8	-	-	-	-
All other	67	59	1	-	-	-	737
Total	317	325	2,094	266	551	533	911
	Unit value (per pound)						
Dom Rep	-	$1.18	$5.83	$1.02	$1.51	$1.55	$1.02
France	2.04	1.83	1.49	1.74	1.82	1.82	-
Spain	-	-	-	-	3.69	3.69	-
Belgium	-	1.25	-	-	1.38	1.38	-
Venez	-	-	-	-	6.24	6.24	-
Lw WW I	-	-	-	1.02	10.04	10.04	3.78
Nethlds	4.89	1.36	9.50	-	-	-	-
Canada	0.50	-	0.47	-	-	-	-
All other	3.68	1.11	1.75	-	-	-	7.90
Average	2.04	1.36	4.30	1.14	1.77	1.82	3.46

1/ Less than 500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 35.-Cigarettes: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (millions of cigarettes)						
Belgium	13,660	18,370	18,173	15,655	12,972	12,065	10,439
Hg Kong	6,299	7,608	8,335	7,688	7,400	6,431	6,212
S Arab	4,345	4,232	5,154	5,516	6,246	5,754	6,034
Japan	3,672	3,629	5,177	4,753	5,469	5,049	5,864
Lebanon	1,653	1,306	2,729	3,569	2,752	2,154	3,228
Singapr	1,199	1,499	1,913	2,174	2,598	2,291	2,365
Panama	1,983	2,093	1,945	2,592	1,906	1,825	1,349
Kuwait	3,675	3,592	2,336	1,409	1,525	1,338	1,357
All other	43,230	39,668	36,820	30,229	19,830	18,621	15,290
Total	79,717	81,998	82,582	73,585	60,698	55,527	52,139
	Value (1,000 dollars)						
Belgium	157,371	247,024	277,270	270,753	252,588	234,394	216,471
Hg Kong	64,559	90,595	116,792	123,407	135,342	116,736	121,424
S Arab	53,754	60,723	86,809	108,308	133,950	122,910	135,687
Japan	40,120	44,003	73,838	67,225	80,369	74,140	89,062
Lebanon	19,401	16,091	41,076	60,806	52,751	40,909	66,002
Singapr	12,716	18,138	26,833	34,936	46,383	40,745	45,320
Panama	22,572	26,918	29,349	44,580	35,603	34,064	27,711
Kuwait	43,895	50,249	37,651	27,193	31,749	27,496	29,841
All other	494,227	501,681	538,896	497,547	356,977	334,445	301,981
Total	908,613	1,055,421	1,228,515	1,234,754	1,125,712	1,025,838	1,033,499
	Unit value (per thousand)						
Belgium	$11.52	$13.45	$15.26	$17.30	$19.47	$19.43	$20.74
Hg Kong	10.25	11.91	14.01	16.05	18.29	18.15	19.55
S Arab	12.37	14.35	16.84	19.63	21.45	21.36	22.49
Japan	10.93	12.12	14.26	14.14	14.69	14.69	15.19
Lebanon	11.73	12.32	15.05	17.04	19.17	18.99	20.44
Singapr	10.61	12.10	14.03	16.07	17.86	17.79	19.16
Panama	11.38	12.86	15.09	17.20	18.68	18.66	20.54
Kuwait	11.94	13.99	16.12	19.30	20.82	20.55	21.99
All other	11.43	12.65	14.64	16.46	18.00	17.96	19.75
Average	11.40	12.87	14.88	16.78	18.55	18.47	19.82

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 36--Cigars: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (thousands)						
U King	25,133	33,164	23,130	23,907	20,732	20,631	15,325
Fr Germ	14,432	3,334	3,875	3,079	10,824	10,694	10,535
Nethlds	4,578	10,253	11,983	12,850	6,756	5,366	5,443
S Arab	8,163	8,521	8,049	6,569	11,797	5,996	7,338
Japan	13,701	7,508	11,349	6,942	9,488	7,765	7,092
France	10,036	6,776	12,332	5,221	3,695	3,337	2,976
Cyprus	5,118	3,046	4,538	8,905	4,064	4,036	4,463
Canada	2,729	3,886	4,394	6,803	7,270	6,247	3,782
All other	93,352	78,127	101,826	106,857	54,904	51,765	41,546
Total	177,242	154,615	181,476	181,133	129,530	115,837	98,500
	Value (1,000 dollars)						
U King	1,782	2,205	2,083	2,117	1,640	1,638	1,341
Fr Germ	928	224	286	172	745	734	718
Nethlds	287	698	835	993	674	528	380
S Arab	565	153	375	302	577	508	361
Japan	307	298	468	337	506	426	378
France	279	647	826	471	384	359	328
Cyprus	342	273	369	347	319	317	423
Canada	91	146	217	343	288	258	239
All other	4,234	5,296	5,584	5,435	3,377	3,157	3,053
Total	8,815	9,939	11,043	10,517	8,511	7,926	7,223
	Unit value (per thousand)						
U King	$70.92	$66.49	$90.05	$88.55	$79.08	$79.38	$87.51
Fr Germ	64.30	67.19	73.93	55.85	68.86	68.66	68.20
Nethlds	62.76	68.08	69.71	77.30	99.75	98.47	69.85
S Arab	69.20	17.96	46.55	45.93	48.90	84.74	49.19
Japan	22.44	39.69	41.23	48.48	53.31	54.88	53.32
France	27.75	95.48	66.97	90.26	104.06	107.56	110.31
Cyprus	66.76	89.62	81.34	38.94	78.48	78.53	94.72
Canada	33.46	37.57	49.29	50.41	39.66	41.31	63.29
All other	45.35	67.79	54.84	50.86	61.51	60.99	73.49
Average	49.74	64.28	60.85	58.06	65.70	68.42	73.33

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports of smoking tobacco in 1979-83 ranged from 23.4 million pounds in 1979, valued at $41.7 million, to 7.1 million pounds in 1980, valued at $15.7 million (tables 37 and 38). The majority of these exports (including partially manufactured tobacco in strips and cut filler form) consists of exports of tobacco leaf in bulk, which is blended and sometimes flavored for the manufacture of cigarettes (table 37). In 1983, the Canary Islands was the major market and accounted for 43 percent of the value of exports. Spain and Switzerland were also major markets, accounting for 21 percent and 7 percent of 1983 exports. During 1979-83, U.S. exports of smoking tobacco in packages (primarily pipe and cigarette tobacco) increased irregularly from 948,000 pounds, valued at $2.9 million, to 1.0 million pounds, valued at $4.2 million (table 38). Canada accounted for more than 25 percent of the value of 1983 exports. Colombia was also an important market.

During 1979-83, U.S. exports of manufactured tobacco, not specially provided for, other than smoking tobacco (including homogenized sheet tobacco) increased irregularly from 4.4 million pounds, valued at $4.6 million, to 13.8 million pounds, valued at $16.1 million (table 39). West Germany, the Netherlands, and the United Kingdom were the major markets and together accounted for 64 percent of the value of 1983 exports.

U.S. Imports

As discussed in the "U.S. Consumption" section of this report, the best available data concerning imports for consumption are those presented in the USDA prehearing brief. These data, by types, are discussed below.

Flue-cured

Estimated imports of flue-cured tobacco increased from 35.8 million pounds in crop year 1975 1/ to 86.9 million pounds in 1979 (table 40). Imports then rose to 94.6 million pounds in 1982 before surging to 155.0 million pounds in 1983. Imports are estimated by USDA to decline to 102.5 million pounds in 1984.

The unusually large increase in imports for consumption in 1983 is attibutable to the surge of such imports in August 1983 to avoid the higher rate of duty caused by the tariff reclassification. Many of these imports were not used by manufacturers during this period, but instead they were withdrawn from bonded warehouses and placed in nonbonded inventories. 2/

1/ All years are crop years, which are July 1 through June 30 for flue-cured tobacco and October 1 through September 30 for all other types.

2/ Accordingly, the import data presented in Tobacco: Situation and Outlook Report were adjusted downward to account for such imports, which were placed in inventories.

Table 37-- --Smoking tobacco in bulk, including partially manufactured blended tobacco in strips and cut filler form: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Cnry I	4,299	0	355	1,815	3,366	3,335	0
Spain	423	3,819	1,423	2,422	1,769	1,769	0
Switzld	5,017	4	340	996	995	984	421
Malaysa	0	26	2,236	2,909	538	486	170
Yugoslv	1,143	0	0	0	110	110	0
Dom Rep	2,539	1,276	781	392	187	187	1/
Austral	9	24	5	2	74	74	5
Belgium	108	2	45	1/	235	235	212
All other	8,958	1,228	1,834	2,602	675	664	8,224
Total	22,496	6,378	7,019	11,138	7,949	7,844	9,032
	Value (1,000 dollars)						
Cnry I	8,318	-	980	6,880	12,280	12,190	-
Spain	834	9,426	2,228	7,745	5,850	5,850	-
Switzld	6,202	9	790	2,545	2,030	1,998	1,387
Malaysa	-	71	4,513	7,481	1,706	1,569	502
Yugoslv	2,297	-	-	-	470	470	-
Dom Rep	4,387	2,225	1,467	732	325	325	2
Austral	8	67	13	6	315	315	3
Belgium	61	3	89	1	305	305	308
All other	16,770	1,632	4,704	6,980	1,375	1,356	28,363
Total	38,877	13,433	14,784	32,371	24,656	24,379	30,565
	Unit value (per pound)						
Cnry I	$1.93	-	$2.76	$3.79	$3.65	$3.65	-
Spain	1.97	2.47	1.57	3.20	3.31	3.31	-
Switzld	1.24	2.65	2.33	2.55	2.04	2.03	3.30
Malaysa	-	2.76	2.02	2.57	3.17	3.23	2.95
Yugoslv	2.01	-	-	-	4.26	4.26	-
Dom Rep	1.73	1.74	1.88	1.87	1.74	1.74	6.46
Austral	0.89	2.83	2.60	3.54	4.29	4.29	0.70
Belgium	0.56	1.45	1.99	1.73	1.30	1.30	1.45
All other	1.87	1.33	2.56	2.68	2.04	2.04	3.45
Average	1.73	2.11	2.11	2.91	3.10	3.11	3.38

1/ Less than 500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 38--Smoking tobacco in packages: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Canada	191	91	193	213	265	217	228
Colomb	1	3	5	3	106	106	2
Japan	59	37	73	49	58	44	46
Iceland	73	91	61	56	58	53	49
S Arab	21	30	11	39	63	60	49
Malaysa	36	15	41	35	50	50	16
Hg Kong	44	44	46	45	39	34	39
Spain	73	52	37	172	37	37	0
All other	451	425	422	360	346	332	454
Total	948	788	890	972	1,021	933	884
	Value (1,000 dollars)						
Canada	397	247	642	808	1,072	867	879
Colomb	4	8	15	10	445	445	13
Japan	192	119	288	218	276	204	228
Iceland	242	280	270	258	274	255	254
S Arab	89	81	39	145	242	233	203
Malaysa	118	44	139	138	212	212	63
Hg Kong	140	148	175	190	178	152	174
Spain	240	175	146	723	148	147	-
All other	1,427	1,198	1,644	1,474	1,354	1,304	1,478
Total	2,898	2,300	3,356	3,963	4,200	3,819	3,292
	Unit value (per pound)						
Canada	$2.08	$2.72	$3.32	$3.80	$4.05	$4.00	$3.86
Colomb	3.57	2.52	2.91	3.39	4.20	4.20	5.31
Japan	3.26	3.27	3.95	4.45	4.79	4.65	4.99
Iceland	3.33	3.08	4.44	4.62	4.74	4.79	5.19
S Arab	4.15	2.70	3.55	3.70	3.85	3.87	4.12
Malaysa	3.23	3.01	3.37	3.95	4.23	4.23	3.99
Hg Kong	3.22	3.34	3.80	4.21	4.55	4.49	4.40
Spain	3.30	3.35	3.89	4.20	4.02	4.02	-
All other	3.17	2.82	3.89	4.09	3.91	3.93	3.25
Average	3.00	2.92	3.77	4.08	4.11	4.10	3.72

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 39-- Other manufactured tobacco, including processed tobacco sheet: U.S. exports of domestic merchandise, by principal markets, 1979-83, January-November 1983, and January-November 1984

Market	1979	1980	1981	1982	1983	January-November-- 1983	1984
	Quantity (1,000 pounds)						
Fr Germ	3	4,684	602	2,877	5,188	4,531	7,245
Nethlds	587	189	1,058	1,770	3,917	3,407	8,265
U King	847	778	1,238	548	682	630	516
Belgium	246	415	788	920	1,616	1,199	2,266
Switzld	2,338	4,669	1,369	1,281	1,338	1,338	1,253
Cnry I	19	0	0	144	357	255	0
Finland	0	0	0	0	165	1	0
Rep Saf	57	62	20	28	68	68	33
All other	322	311	469	396	505	476	217
Total	4,420	11,108	5,544	7,963	13,835	11,903	19,795
	Value (1,000 dollars)						
Fr Germ	4	3,131	474	2,503	4,731	4,208	6,784
Nethlds	391	226	925	1,670	3,920	3,411	7,783
U King	1,889	1,928	2,383	1,860	1,712	1,541	1,718
Belgium	158	261	545	803	1,536	1,138	2,092
Switzld	1,485	2,978	1,067	1,997	1,416	1,416	1,128
Cnry I	47	-	-	487	1,161	776	-
Finland	-	-	-	-	515	2	-
Rep Saf	176	241	82	184	262	262	188
All other	479	835	828	983	870	805	379
Total	4,627	9,599	6,303	10,488	16,124	13,559	20,073
	Unit value (per pound)						
Fr Germ	$1.20	$0.67	$0.79	$0.87	$0.91	$0.93	$0.94
Nethlds	0.67	1.19	0.87	0.94	1.00	1.00	0.94
U King	2.23	2.48	1.92	3.39	2.51	2.45	3.33
Belgium	0.64	0.63	0.69	0.87	0.95	0.95	0.92
Switzld	0.63	0.64	0.78	1.56	1.06	1.06	0.90
Cnry I	2.42	-	-	3.38	3.26	3.04	-
Finland	-	-	-	-	3.12	4.21	-
Rep Saf	3.09	3.91	4.09	6.53	3.88	3.88	5.68
All other	1.49	2.68	1.77	2.48	1.72	1.69	1.74
Average	1.05	0.86	1.14	1.32	1.17	1.14	1.01

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 40.--Certain tobacco: Estimated U.S. imports for consumption, by types, 1975-84

(In millions of pounds, farm-sales weight)

Year	Flue-cured 1/	Burley 2/	Dark air-cured 3/	Fire-cured 4/	Cigar filler and binder 5/
1975	35.8	64.5	0.9	0.3	69.4
1976	36.9	70.4	.5	3.0	60.9
1977	52.6	83.7	.5	3.2	57.2
1978	72.8	93.2	.3	1.9	67.8
1979	86.9	104.9	.3	.8	67.3
1980	72.1	143.5	1.1	.9	79.2
1981	69.4	103.9	.2	1.1	69.7
1982	94.6	223.7	.8	.1	63.0
1983	155.0	107.2	.3	.9	81.9
1984 6/	102.5	100.0	.4	.4	85.0

1/ Data are on a crop-year basis, beginning July 1 of the year indicated and ending June 30 of the following year; similar to USDA types 11-14.

2/ Data are on a crop-year basis, beginning Oct. 1 and ending Sept. 30 of the following year; similar to USDA type 31.

3/ Data are on a crop year basis, beginning Oct. 1 and ending Sept. 30 of the following year; similar to USDA types 35 and 36.

4/ Data are on a crop year basis, beginning Oct. 1 and ending Sept. 30 of the following year; similar to USDA types 21-23.

5/ Data are on a crop year basis, beginning Oct. 1 and ending Sept. 30 of the following year; similar to USDA types 42-44, 46, 51 and 52, and 54-56.

6/ Estimated by the USDA.

Source: Compiled from data contained in the USDA prehearing brief, tables V-A, V-B, V-C, V-H, and V-I.

Burley

Estimated imports for consumption of burley tobacco rose steadily from 64.5 million pounds in 1975 to 143.5 million pounds in 1980 before declining to 103.9 million pounds in 1981. Imports in 1982 rose to 223.7 million pounds, more than 100 percent above the 1981 level, in response to the previously mentioned tariff reclassification. Imports declined to 107.2 million pounds in 1983 and are estimated to decline to 100 million pounds in 1984.

Dark air-cured

The quantity of imports of dark air-cured tobacco comparable to USDA types 21-23 is relatively small. These imports increased irregularly from 0.9 million pounds in 1975 to a peak of 1.1 million pounds in 1980 and then declined irregularly to 0.4 million pounds in 1984.

Fire-cured

The highest level of imports of fire-cured tobacco, 3.2 million pounds, was reached in 1977. Such imports have declined irregularly since 1977 to an estimated 0.4 million pounds in 1984.

Cigar filler and binder

The quantity of imports of dark air-cured tobacco similar to USDA types 42-44, 46, 51 and 52, and 54-56 (cigar filler and cigar binder) rose from 69.4 million pounds in 1975 to 79.2 million pounds in 1980 before declining to 63.0 million pounds in 1982. The import level then increased to 81.9 million pounds in 1983 and to an estimated 85.0 million pounds in 1984.

Other import data

Since July 13, 1984, USDA has collected data on general imports of flue-cured, burley, fire-cured, and dark air-cured tobaccos 1/ by countries of origin and by grades. General import statistics during July 13, 1984, through December 31, 1984, are presented below:

Item	Quantity (pounds)
Flue-cured	42,977,079
Burley	26,143,982
Fire-cured	834,570
Dark air-cured	141,758
Total	70,097,389

The Commission sent questionnaires to dealers and manufacturers in an attempt to gather independent data on actual imports of the tobaccos covered by this investigation. Because of inconsistences and problems with the data, their responses are not considered to be as accurate as the USDA estimates presented earlier in this section.

1/ Data are collected on imports of dark air-cured tobacco similar to domestic dark air-cured tobacco only. No data are collected on dark air-cured tobacco similar to domestic cigar filler and binder.

World Production and Trade

During the period 1979-83, world production of all unmanufactured tobacco increased irregularly from 11.9 billion pounds to 13.4 billion pounds (table 41). U.S. production in 1984 accounted for 15 percent of total world production. Flue-cured tobacco made up 48 percent of world production in 1984, and burley tobacco made up 12 percent. World exports of all unmanufactured tobacco have shown no consistent pattern in recent years; they have remained relatively near the 1983 level of 3 billion pounds. U.S. exports of unmanufactured tobacco in 1983 accounted for 17 percent of world exports of such tobacco. World exports of flue-cured tobacco made up 44 percent of world exports of all unmanufactured tobacco in 1983, and burley accounted for 13 percent. USDA reports that principal world importing markets of unmanufactured tobacco in 1984 included the European Community (35 percent, by quantity), the United States (14 percent), and Japan (5 percent) (table 42). Principal world exporting countries of unmanufactured tobacco in 1983 are reported by USDA as the United States (17 percent, by quantity), Brazil (13 percent), and Zimbabwe (7 percent) (table 43).

Brazil

The majority of Brazilian unmanufactured exports consist of flue-cured tobacco (77 percent in 1983). Burley accounted for about 10 percent of such exports in 1983. USDA reports that the United States is Brazil's major market; and in 1983, the United States accounted for about 24 percent of Brazil's unmanufactured tobacco exports. USDA forecasts Brazil's total exports in 1984 to drop to approximately 359 million pounds (total Brazilian exports in 1983 were 390 million pounds) because of reduced supplies relative to weak demand worldwide.

Zimbabwe

USDA reports that flue-cured tobacco accounted for about 95 percent of Zimbabwe's 1983 exports. Sales of tobacco by Zimbabwe to the United States represented approximately 2 percent of Zimbabwe's total 1983 tobacco exports. 1/ Zimbabwe's unmanufactured tobacco exports to all markets were up about 15 percent in 1983. USDA reports export gains in 1983 were made to Eastern Europe and were mainly barter deals. Exports for 1984 are estimated to be near the 1983 level of 205 million pounds (table 44). Zimbabwe's tobacco exports to the United States are not expected to increase in the next few years, according to the Tobacco Marketing Board of Zimbabwe. 2/

Flue-cured

During 1979-82, world production of flue-cured tobacco increased irregularly, peaking at 7.8 billion pounds in 1982 (table 41). World production declined thereafter, reaching 6.4 billion pounds in 1984. In 1984,

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1/ Tobacco Marketing Board of Zimbabwe posthearing brief, p. 5.
2/ Transcript, p. 322.

Table 41.--Flue-cured, burley, and all unmanufactured tobacco: World production and exports, 1/ 1979-84

Year	Flue-cured			Burley			All unmanufactured tobacco		
	United States 3/	World total	United States as a percent of total	United States 3/	World total	United States as a percent of total	United States 3/	World total	United States as a percent of total
	----Million pounds---		Percent	--Million pounds--		Percent	---Million pounds---		Percent
Production, farm-sales weight: 2/									
Average:									
1979	946	5,448	17	446	1,239	36	1,529	11,876	13
1980	1,086	5,306	20	561	1,265	44	1,788	11,439	16
1981	1,169	6,557	18	730	1,430	51	2,064	13,093	16
1982	1,006	7,845	13	822	1,655	49	1,995	15,162	13
1983	821	6,662	12	524	1,394	38	1,429	13,370	11
1984 4/	858	6,438	13	769	1,641	47	2,057	13,503	15
Exports, unmanufactured, declared weight:									
Average:									
1979	371	1,236	30	82	313	26	567	3,034	19
1980	391	1,340	29	91	336	27	599	2,993	20
1981	386	1,474	26	74	345	21	585	3,271	18
1982	348	1,411	25	104	365	28	572	3,223	18
1983	311	1,352	23	91	385	24	522	3,061	17
1984	5/	5/	5/	5/	5/	5/	6/ 529	6/ 3,071	6/ 17

1/ Production is on a crop-year basis; exports are on a calendar-year basis.
2/ Production or marketings for the United States.
3/ Includes Puerto Rico.
4/ Preliminary.
5/ Not available.
6/ Estimated by the USDA.

Source: Compiled from official statistics of USDA and the U.S. Department of Commerce, except as noted.

Table 42.--Unmanufactured tobacco: World imports, by principal countries, 1979-84

(In millions of pounds, declared weight)

Country	1979	1980	1981	1982	1/ 1983	2/ 1984
EC:						
West Germany	388	417	377	322	326	353
United Kingdom	413	261	308	281	287	282
Netherlands	143	183	144	181	187	176
France	109	75	83	81	100	93
Belgium	82	86	76	83	84	88
Italy	69	66	51	68	76	62
Denmark	27	34	34	31	31	31
Ireland	17	16	16	19	12	15
Total, European Community 3/	1,248	1,139	1,089	1,066	1,103	1,099
United States 4/	408	431	518	535	460	441
Japan	144	157	186	173	166	163
Spain	93	170	157	146	156	146
Egypt	67	76	94	94	108	115
Switzerland	63	56	59	60	57	57
East Germany	46	57	55	39	44	43
Taiwan	39	34	25	35	22	36
All other	748	1,020	1,161	1,003	1,020	1,009
Total	2,925	3,140	3,343	3,151	3,137	3,110

1/ Preliminary.
2/ Estimated by the USDA.
3/ Does not include Greece.
4/ General imports.

Source: U.S. Department of Agriculture.

Table 43.--Unmanufactured tobacco: World exports, by sources, 1979-84

(In millions of pounds, declared weight)

Source	1979	1980	1981	1982	1/ 1983	2/ 1984
United States	567	599	585	572	522	529
Brazil	309	316	327	366	390	359
Zimbabwe	243	218	257	178	205	208
Greece	122	156	192	161	180	190
Turkey	153	185	289	231	153	187
India	146	161	231	216	184	176
Italy	127	102	167	214	177	165
Malawi	126	141	90	100	132	121
Republic of Korea	74	74	83	69	72	71
Argentina	48	38	37	58	64	61
All other	1,110	1,003	1,013	1,057	982	1,002
Total	3,025	2,993	3,271	3,223	3,061	3,071

1/ Preliminary.
2/ Estimated by USDA.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 44.--Flue-cured and burley tobacco: World exports, by major producing countries, 1979-83

(In millions of pounds, declared weight)

Country	1979	1980	1981	1982	1983 1/
	Flue-cured				
United States	371	391	386	348	311
Brazil	183	198	229	278	302
Zimbabwe	129	232	253	177	194
India	132	142	198	186	146
Canada	69	41	71	62	50
Thailand	54	56	54	45	44
Malawi	43	50	36	45	44
Argentina	32	23	25	41	42
Korea	41	33	34	43	38
Philippines	24	14	26	32	21
Italy	8	8	11	18	20
Republic of South Africa	11	14	11	7	6
Zambia	7	5	3	3	3
All other	132	132	137	132	132
Total	1,236	1,340	1,474	1,411	1,352
	Burley				
United States	82	91	74	104	91
Malawi	25	32	29	30	55
Italy	61	48	61	79	53
Mexico	39	27	15	13	35
Brazil	18	20	35	37	35
Korea	34	41	36	26	34
Thailand	11	13	18	26	19
Greece	17	35	46	46	19
Zimbabwe	4	6	4	1	11
All other	22	22	26	33	33
Total	313	336	345	365	385

1/ Preliminary.

Source: U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

U.S. production of flue-cured tobacco accounted for 13 percent of world production, compared with 17 percent in 1979. In 1984, USDA reports that China (42 percent) was the major producer of flue-cured tobacco, followed by the United States (13 percent), Brazil (9 percent), India (4 percent), Japan (3 percent), and the Republic of Korea (Korea) (2 percent). World exports of flue-cured tobacco increased steadily from 1.2 billion pounds to 1.5 billion during 1979-81. However, world exports declined steadily thereafter, reaching 1.4 billion pounds in 1983. In 1983, U.S. exports of flue-cured tobacco accounted for 23 percent of the world total. Other major flue-cured exporting countries in 1983 were Brazil (22 percent), Zimbabwe (14 percent), and India (11 percent) (table 44). During 1979-83, the U.S. share of total world exports declined by 7 percentage points, while the Brazilian share increased by the same amount.

Burley

During 1979-84, world production of burley tobacco increased irregularly from 1.2 billion pounds to 1.6 billion pounds (table 41). In 1984, U.S. production of burley tobacco accounted for 47 percent of world production (compared with 36 percent in 1979). USDA reports that other major producers of burley tobacco in 1984 included Italy (8 percent), Brazil (6 percent), Korea (4 percent), and Malawi (4 percent). World exports of burley tobacco increased steadily from 313 million pounds to 385 million pounds during 1979-83. In 1983, U.S. exports of burley tobacco accounted for 24 percent of the world total compared with 26 percent in 1979. Other major burley exporting countries in 1983 were Malawi (14 percent), Italy (14 percent), Mexico, Brazil, and Korea (about 9 percent each) (table 44).

Owing to such factors as adverse weather, disease problems, and higher prices for competing crops, burley tobacco was in short supply in the world market in 1979-81. The shortage of burley resulted in upward pressure on prices, producing a worldwide supply response in which world production peaked in 1982, declined somewhat in 1983 (primarily because of a poor U.S. crop), and then increased to near record levels in 1984.

Dark air-cured (other than cigar types)

Data relating to world production and trade of dark air-cured tobacco similar to U.S. types 35 and 36 are not available. 1/ The best information available (trade sources and USDA officials) seems to indicate that little tobacco of this type (comparable in use to U.S. types 35 and 36) is produced outside the United States. However, USDA has reported U.S. general imports of this tobacco type at 141,758 pounds for the period July 13-December 31, 1984, which is equivalent to less than 1 percent of U.S. production.

1/ Data are reported by USDA on world production of dark air-cured (other than for use in cigars) and sun-cured tobacco. However, these types are used in the production of dark cigarettes popular in certain European and South American countries. U.S. cigarettes are not of this tobacco type and U.S. Government and trade sources estimate that imports of these tobaccos into the United States are negligible.

Dark air-cured (cigar types)

World production of dark air-cured tobacco (similar to U.S. cigar types 41-62) fluctuated, ranging from 328 million pounds in 1980 to 420 million pounds in 1982 (table 45). USDA estimates 1984 production at 373 million pounds. Cuba, Brazil, and the Philippines were the major producers in 1984, accounting for 24 percent, 20 percent, and 18 percent, respectively. The United States made up 10 percent of 1984 world production. USDA reports that data relating to world trade for this type of tobacco are not available. However, USDA estimates U.S. imports of cigar filler and binder tobacco types (dark air-cured cigar types) at 85 million pounds in 1984 or nearly double U.S. production of these types. 1/

Table 45.--Dark air-cured (for use in cigars) and fire-cured tobacco: World production, by sources, 1979-84

(In millions of pounds, farm-sales weight)

Source	1979	1980	1981	1982	1983	1/ 1984
	Dark air-cured (for use in cigars) tobacco					
Cuba	63	12	97	87	60	88
Brazil	75	90	82	97	115	73
Philippines	58	70	67	66	64	66
United States 2/	53	62	64	50	37	38
Indonesia	24	30	26	29	38	32
Bangladesh	22	19	20	26	26	27
Dominican Republic	22	20	19	22	18	13
All other	48	25	27	43	37	36
Total	343	328	402	420	395	373
	Fire-cured tobacco					
United States 3/	45	36	38	53	37	52
Malawi	44	22	17	16	17	36
Poland	23	14	14	18	15	26
Italy	23	22	20	22	23	20
Kenya	1	1	2	3	4	4
All other	13	13	23	16	13	10
Total	149	108	114	128	109	148

1/ Estimated by the USDA.
2/ Includes U.S. types 41-62 (all cigar types).
3/ Includes U.S. types 21-23 (fire-cured types).

Source: Compiled from official statistics of the U.S. Department of Agriculture.

1/ USDA prehearing brief, table V-C.

Fire-cured

World production of fire-cured tobacco is small in relation to most other types, especially flue-cured and burley. World production during 1979-83 showed no trend, ranging from 108 million pounds in 1980 to 149 million pounds in 1979 (table 45). USDA estimates 1984 production at 148 million pounds. Major producers of fire-cured tobacco in 1984 included the United States (35 percent), Malawi (24 percent), and Poland (18 percent). World trade data relating to fire-cured tobacco are not available; however, USDA has reported U.S. general imports of this tobacco at 834,570 pounds for the period July 13-December 31, 1984, or approximately 2 percent of U.S production.

Foreign Involvement of U.S. Tobacco Companies In Tobacco-Producing Countries

U.S. tobacco manufacturers, dealers, and their subsidiaries are known to be involved in the tobacco industries of many foreign producing countries. Certain manufacturers and dealers are known to have manufacturing facilities in various countries and are known to contract with growers for production. Available information on this subject for Brazil, Malawi, Korea, and China follows.

Brazil

Information obtained on Brazil's tobacco industry indicates that U.S. companies have a significant input into Brazilian tobacco production. 1/ Flue-cured and burley tobaccos are grown basically under a contract system. Prior to the new season, the producer agrees to sell his next crop, at the industry agreed upon price, to a specific tobacco company. The company, in turn, agrees to furnish technical advice to the producer, provide seed, supply fertilizers and chemicals at company cost, pay the freight for bringing tobacco to market, pay the interest on the financing costs of constructing barns, and buy all the producer's tobacco at the agreed-upon price. Each company has its own contracted farmers and generally supplies the same type of assistance. It is estimated that these costs would amount to about 30 to 35 percent of the price actually paid for tobacco.

The following U.S. companies are known to be active in contracting with farmers in Brazil to produce tobacco: Austin Co., Inc., Dibrell Brothers, Inc., Universal Leaf Tobacco Co., R.J. Reynolds Tobacco Co., and Liggett B. Meyers, Inc. Besides these 5 U.S. companies, there are about 16 other European and Brazilian companies active in producing tobacco in Brazil. The largest is the British American Tobacco Co., which controls about 80 percent of the domestic (Brazilian) cigarette market and produces nearly 50 percent of the domestic production in southern Brazil via its contract growers. Philip Morris manufactures cigarettes in Brazil but is not directly involved in production. A.C. Monk & Co. (a U.S. dealer) appears to be active in exporting tobacco but not in production. R.J. Reynolds also manufactures cigarettes for the Brazilian market in Brazil.

1/ Department of Agriculture telegram, U.S. Embassy, Brasilia, Brazil, to USDA/FAS, Washington, DC, December 1984.

Malawi

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Korea

Tobacco production and domestic sales in Korea are controlled by the Government's Office of Monopoly (Monopoly), which is also the country's sole cigarette producer. However, tobacco has traditionally been processed and exported by joint venture processing/exporting firms (including U.S. firms). The Monopoly sets prices for the sale of tobacco both for the domestic market and export. Export companies purchase the tobacco through a bidding procedure, process the tobacco in Korea, and then export the tobacco to customers worldwide. Information obtained from USDA indicates that four joint-venture U.S. firms operate in Korea: 1/ (1) OPEK LTD./Universal Leaf Tobacco Co., LTD. USA; (2) Kortec LTD./Miller Tobacco Co., Inc. USA; (3) The Korea America Tobacco Co., LTD./A.C. Monk & Co., Inc. USA; (4) and The Hanil Tobacco Export Co., LTD./Carolina Leaf Tobacco, Inc., USA. USDA reports that these companies are prohibited from becoming involved in tobacco production or in any other aspect of the tobacco business except the processing of Korean leaf for export. They purchase leaf from the Monopoly according to a schedule of export prices set annually, with certain add-ons for Monopoly handling and storage.

China

Information obtained from USDA indicates that foreign involvement in the Chinese tobacco industry is very small. 2/ USDA officials report that U.S. companies, such as Universal Leaf, R.J. Reynolds, and Philip Morris, have working relationships with Chinese tobacco organizations. This has included small-scale experimental production plots to world market specifications, such as in Henan province. The first joint-venture cigarette factory is now operating in the free trade zone of Xiamen in Fyjian province. The factory began producing Camel brand cigarettes under license 2 years ago, and U.S. tobacco will be used to produce Marlboro and other name-brand cigarettes for export and for sale to foreign diplomats and tourists in China.

1/ Department of Agriculture telegram, U.S. Embassy, Seoul, Korea, to USDA/FAS Washington, DC, January 1985; staff conversations with U.S. industry officials; and transcript, p. 432.

2/ Department of Agriculture telegram, U.S. Embassy, Beijing, China, to USDA/FAS, Washington, DC, January 1985.

Prices

Prices in the United States

Prices paid for tobacco depend on factors such as the type or kind of tobacco, the quality and condition of the leaf, and the changing demand for the products made from tobacco leaf, such as cigarettes. Tobacco is produced and traded throughout the world, and many countries maintain some form of government control over production and marketing. In the United States, control is through the program of acreage allotments, marketing quotas, and price supports. The influence of supply-demand factors is reflected primarily in the determination of marketing quotas and, secondarily, in the support prices.

Price support legislation provides that minimum prices be paid to farmers for each kind of tobacco produced domestically. These support prices are determined by USDA in accordance with guidelines set forth in the authorizing legislation. 1/ Prior to 1982, the legislation required that the average prices in the base year, 1959, be adjusted annually according to changes in the index of prices paid by farmers (the parity index). 2/ Because each kind of tobacco (e.g., burley or flue-cured) was supported at a different price in 1959, the support price of the various kinds of tobacco in a given year will also be different. The relationship of the support price for one kind of tobacco to that for another has remained constant since the 1960 crop, however, because the adjustments for all kinds of tobacco are based on the same parity index. For example, the average support price for flue-cured tobacco has remained 97 percent of the average support price for burley tobacco since 1960.

Table 46 shows the tobacco support price adjustment factor, the support prices for flue-cured and burley tobacco, and the consumer price index (CPI) for 1971-84:

1/ The annual adjustment factor in a given year is the ratio of the average of the parity index for the 3 preceding years to the parity index for 1959.

2/ The parity index, on which the tobacco support price adjustments are based, is an index of prices paid by farmers for commodities and services, interest, taxes, and wage rates, expressed on a base of 1919-29 = 100. As such, the index is closer conceptually to the CPI (an index of prices paid by consumers) than to the Producers Price Index (PPI). The latter is an index of prices received by producers and represents sales rather than costs.

Table 46.--Flue-cured and burley tobacco: U.S. support-price adjustment factor, support price, and consumer price index, 1971-84

Year	Tobacco support price adjustment factor	Support price for tobacco		Consumer price index
		Flue-cured	Burley	
	1971=100	------Cents per pound-----		1971=100
1971	100	69.4	71.5	100
1972	105	72.4	74.9	103
1973	110	76.6	78.9	110
1974	120	83.3	85.8	122
1975	134	93.2	96.1	133
1976	153	106.0	109.3	141
1977	164	113.8	117.3	150
1978	174	121.0	124.7	161
1979	186	129.3	133.3	179
1980	204	141.5	145.9	204
1981	227	158.7	163.6	225
1982	253	169.9	175.1	239
1983	273	169.9	175.1	247
1984	280	169.9	175.1	1/ 257

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

In general, changes in the adjustment factor from 1971 to 1980 were similar in magnitude to those in the consumer price index for the period. The first exception to this pattern was in 1976-79. In 1976, the general rate of inflation (shown by the CPI) reached 6 percent, while tobacco support prices increased by more than 14 percent. Tobacco support prices then increased at approximately the same rate as CPI inflation until 1979, when the rate of change in support prices slowed relative to the general rate of inflation. By 1980, because the support price rose more slowly than the general rate of inflation during 1971-81, tobacco support prices were again in line with those of the CPI at an index level of 204.

During 1980-84, the increase in the adjustment factor again outpaced the CPI and finished at the 280 level, compared with 257 for the CPI. This occurred because in 1982 and 1983 the price support adjustment factor again accelerated relative to the CPI, increasing by 11 percent and by 8 percent, respectively, compared with CPI increases of 6 percent and 3 percent. In 1984, the support factor increased by 2.6 percent compared with a 4 percent change in the CPI. Legislation in 1982 scaled back the increases in the support prices, allowing the Secretary of Agriculture to limit the increase to 65 percent of the expected amount. Additional legislation in 1983 and 1984 subsequently froze the support prices for those years at the 1982 level and provided that, if the adjustment factor for 1985 did not exceed 5 percent, support prices in 1985 would remain at the 1982 level.

Because the support price for each kind of tobacco was based on the index of prices paid by all farmers prior to 1982 and has been frozen by legislation since then, it is technically independent of the supply-demand relationship for tobacco. However, USDA is able to influence the supply of tobacco through its determination of marketing quotas. Quotas are set according to the level of the national reserve supply of tobacco but may be adjusted within certain limits at the discretion of the Secretary of Agriculture. The USDA does maintain that there is no direct connection between the support price and the marketing quota for any kind of tobacco.

USDA does consider the supply-demand relationship in its determination of the distribution of each year's support price increase among various grades within each classification of tobacco. The legislation allows USDA to adjust the support price for tobacco depending on a variety of factors--such as type, grade, and quality--provided that the average support price remains equal to the prescribed price level. Since certain leaf grades command higher prices in the tobacco markets, the USDA generally reflects this price structure in setting its support prices. USDA estimated the distribution of grades within the total crop on the basis of an historical acreage and maintains the weighted-average price for the total crop at the required level. Because a specific average price must be obtained in each year, if demand for a particular grade allows it to be supported at a high price, other grades may be supported at lower prices, and vice versa. Should a grade be supported at a price higher than its market value to purchasers, more of the grade is likely to be placed into the loan program by farmers and would thereby become a part of Government stabilization stocks. Furthermore, should too small an increase be applied to a particular grade, larger increases must be applied to other grades in order to meet the requirements of the legislation. It is possible that adjustments in the support price made in order to allow one grade to be marketable under prevailing conditions may in turn cause USDA to support other grades at a price higher than their market value, subsequently encouraging farmers to place those grades under loan.

Tables 47 and 48 show the support price and the average price actually received by farmers for flue-cured and burley tobaccos. In the case of both flue-cured and burley tobaccos, the average price received by farmers exceeded the support price throughout the period for which data are shown. 1/ Since the support price is determined by the estimated cost of production rather than demand factors, the differential between the support price and the actual price received is an indication of actual market conditions. An unusually high differential--as in 1974--shows strong demand (relative to supply), and a low differential is indicative of weaker conditions in the marketplace. The differential between the two prices is reflected in the share of each crop actually placed under the loan program. When market prices are significantly higher than the support price--as in 1972-74 and 1978-79 for flue-cured tobacco and in 1971, 1973-74, and 1979-80 for burley tobacco--the quantity of tobacco placed under loan declines. When the average price is close to the support price--as in 1975-77 for flue-cured tobacco--the quantity placed under loan increased.

1/ The average price received by farmers necessarily will never be below the support price since, if auction prices were lower than the support price, farmers would place the tobacco under loan to the CCC at the support price.

Table 47.--Flue-cured tobacco: Support price, average price paid to farmers, and price difference, 1971-84

Year	Support price	Average price paid to farmers 1/	Price difference	Share of crop place under loan
	Cents per pound			Percent
1971	69.4	77.2	7.8	5.2
1972	72.4	85.3	12.9	2.4
1973	76.6	88.1	11.5	2.7
1974	83.3	105.0	21.7	1.9
1975	93.2	99.8	6.6	18.4
1976	106.0	110.4	4.4	21.0
1977	113.8	117.6	3.8	17.3
1978	121.0	135.0	14.0	5.3
1979	129.3	140.0	10.7	7.4
1980	141.5	144.5	3.0	12.7
1981	158.7	166.4	7.7	9.4
1982	169.9	178.5	8.6	26.2
1983	169.9	177.9	8.0	2/ 22.9
1984	169.9	181.0	11.1	18.8

1/ These prices are not adjusted for assessments under the no-net-cost requirements of recent legislation. Assessments may be considered an additional cost to the farmer, rather than a reduction in price received.

2/ Includes tobacco from the 1982 crop that had been held by the Stabilization Cooperative and offered for sale in the 1983 marketing year.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 48.--Burley tobacco: Support price, average price paid to farmers, and price difference, 1971-84

Year	Support price	Average price paid to farmers 1/	Price difference	Share of crop place under loan
	Cents per pound			Percent
1971	71.5	80.9	9.4	2/
1972	74.9	79.2	4.3	3.9
1973	78.9	92.9	14.0	0.1
1974	85.8	113.7	27.9	0.4
1975	96.1	105.6	9.5	7.9
1976	109.3	114.2	4.9	7.0
1977	117.3	120.0	2.7	9.2
1978	124.7	131.2	6.5	10.8
1979	133.7	145.2	11.9	1.5
1980	133.3	165.9	20.0	2/
1981	145.9	180.7	17.1	1.0
1982	163.6	181.0	11.9	34.8
1983	175.1	177.3	2.2	48.5
1984	175.1	3/ 187.6	3/ 12.5	3/ 26.5

1/ These prices are not adjusted for assessments under the no-net-cost requirements of recent legislation. Assessments may be considered an additional cost to the farmer, rather than a reduction in price received.

2/ Less than 0.05 percent.

3/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Market conditions reflected in these price differentials include factors such as increased demand for particular characteristics found in one type of tobacco but not in another and the effects on supply of a particularly good or bad harvest in the United States or other major producing nations. The acknowledged poor quality of the flue-cured crop in 1977 and of the burley crop in 1983 had a clearly demonstrated effect on auction prices and the share of these crops placed under loan.

Prices in other markets

Export prices of unstemmed flue-cured tobacco for major producing countries are shown in table 49. U.S. export prices have been consistently higher than those of other exporters during the period shown. 1/ The differential between the export prices of U.S.-produced flue-cured tobacco and those of the other exporters is partially an effect of the price support system and partially a result of demand for certain characteristics of U.S. tobacco. Industry sources report that most countries do not produce the highest quality flue-cured tobacco that can be found in the United States. On the other hand, the tobacco from lower positions on the stalk used primarily for cigarette filler is of satisfactory quality in many producing nations. The better quality tobacco has no difficulty attracting customers at a price consistent with the support price in the United States (with appropriate adjustments for the cost of handling, commissions, etc.), while the down-stalk tobacco is not internationally competitive at the support price and, therefore, is not exported in large quantities. According to USDA, exports from the United States of flue-cured tobacco are of better grades and accordingly are traded at higher prices than tobacco of other countries.

Most trading of tobacco on international markets is done by a relatively few large dealers that resell to cigarette manufacturers. Since the United States exports 20-25 percent of the world's total exports of tobacco and imports about 14 percent of total imports, the influence of U.S. prices is felt in all markets. Export price changes in other markets tend to follow those of the United States. The data indicate, however, that export prices also reflect other factors such as government tobacco policies, the influence of stocks held by governments, dealers, and manufacturers, and general supply-demand conditions. U.S. export prices for flue-cured tobacco rose 105 percent from 1976 to 1983, while increases in those of other nations ranged from 54 percent (Brazil) to 154 percent (South Korea). Of those countries shown, only the United States shows increases in export prices in each year; each of the other countries experienced price declines as well as increases. USDA sources suggest that declines in export prices during 1981-83 are, in large part, the result of exchange rate factors and the conversion of prices into U.S. dollars.

1/ Data for 1976-80 taken from World Bank, "Tobacco: A Background Note on the World Situation and Outlook," Economic Analysis Department, 1981. Data for 1981-83 provided by USDA's Foreign Agriculture Service. Prices for unstemmed tobacco are shown since those for tobacco other than unstemmed might reflect the value of the processing rather than the value of the tobacco itself.

Table 49.--Flue-cured tobacco: Export prices, by principal sources, and the U.S. support price, 1976-83

(Per pound, dry weight)

Country	1976	1977	1978	1979	1980	1981	1982	1983
United States	$1.53	$1.85	$1.96	$2.06	$2.17	$2.81	$3.03	$3.13
Canada	1.43	1.36	1.33	1.65	1.83	1.75	1.84	2.44
Republic of Korea	.80	1.29	1.50	1.47	1.54	1.31	1.96	2.03
Philippines	.80	.86	.79	.88	1.09	.88	.93	.67
Brazil	.68	1.29	1.06	1.07	1.09	1.22	1.59	1.05
Argentina	1.02	.70	.79	.98	1.07	1/	1/	1/
Malawi	1.06	1.18	1.58	1.36	1.58	1.57	1.70	1/
Zimbabwe	1/	1/	1/	.83	.88	1.10	1.51	1.39
U.S. support price	1.06	1.14	1.21	1.29	1.42	1.70	1.70	1.70

1/ Not available.

Source: Data for 1976-80 taken from World Bank, "Tobacco: A Background Note on the World Situation and Outlook", Economic Analysis Department, 1981. Data for 1981-83 provided by FAS.

Average prices for exports of burley tobacco from major producing nations are shown in table 50.

Table 50.--Burley tobacco: Export prices, by principal sources, and the U.S. support price, 1976-83

(Per pound, dry weight)

Source	1976	1977	1978	1979	1980	1981	1982	1983
United States	$1.62	$1.76	$1.90	$1.96	$2.06	$2.90	$3.14	$3.30
Mexico	.91	1.06	1.13	1.23	1.43	1.80	1.13	.96
Brazil	.82	.90	1.04	.93	.93	1/	1/	1/
Republic of Korea	.93	1.01	1.13	1.21	1.09	1/	1/	1/
Italy	.71	.57	.95	1.06	.91	.70	.71	.73
Greece	.90	1.06	1.15	1.18	1.08	1.23	1.29	1.27
Malawi	.95	1.04	1.25	.90	1.03	1/	1/	1/
U.S. support price	1.09	1.17	1.25	1.33	1.46	1.64	1.75	1.75

1/ Not available.

Source: Date for 1976-80 taken from World Bank, "Tobacco: A Background Note on the World Situation and Outlook," Economic Analysis Department, 1981. Data for 1981-83 provided by FAS.

As in the case of flue-cured tobacco, U.S. export prices are significantly higher than those of other countries. Prior to 1981, this reflected an increased demand for U.S. burley tobacco in general, as well as tight supplies caused by poor burley crops in a number of countries in recent years. U.S. export prices increased by 104 percent from 1976 to 1983. Export prices in other countries were generally lower in 1983 than in previous years; only Greece showed notable price increases during 1976-83. As with flue-cured export prices, exchange rate fluctuations are believed to have accounted for much of the decline since 1980.

Price comparisons

The Commission requested prices of imported and domestic tobaccos from tobacco dealers and from cigarette manufacturers for 1981-84. The questions were designed to address two issues: (1) to what extent do prices of imported tobacco of the same position on the stalk vary from prices of domestic tobacco of the same stalk position? and (2) to what extent do prices of imported tobacco vary from the prices of the domestic tobacco for which they are substitutes in the tobacco blends of cigarette manufacturers? It was not possible to request data on a disaggregated basis (for example, using the very detailed USDA grade definitions) since there is no consistent international grading system. Dealers and cigarette manufacturers maintain internal grading specifications that generally vary from one to another. Comparisons based on inconsistent systems would not be meaningful, whereas, according to industry sources, the concept of stalk position is universally understood. 1/

Tobacco purchased by cigarette manufacturers is for use in a wide variety of blends, each with its own specific characteristics. Since tobacco must be aged for at least 18 months and may be held in inventory by dealers or manufacturers for several years before use, purchases made by cigarette manufacturers from dealers or from Government loan stocks in any one year often include tobacco from other crop years. Moreover, imported tobacco may be held in bonded warehouses for lengthy periods and is often resold more than once while in bond. Therefore, prices reported to the Commission are based on sales of tobacco from several crop years and many sources. Prices in response to the questionnaires should not be compared with prices in the preceding discussion concerning prices to farmers and in international markets since the latter are bases on prices received for each year's crop individually.

Stalk position.--A comparison of prices of flue-cured and burley tobacco from the same relative stalk positions is made in tables 51 and 52, based on the hypothesis that an imported leaf from a particular position is competitive with a domestically produced leaf from the same stalk position. The data in

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1/ For a number of reasons, including taste, texture, nicotine content, and dirt and sand content, leaves that grow higher on the tobacco stalk are generally more desirable than the lower leaves. Manufacturers are believed to use primarily mid-stalk leaves in American-style blended cigarettes, but the exact blend varies among cigarette manufacturers and among the various cigarette brands. Data was requested for five stalk positions for flue-cured tobacco and for four stalk positions for burley and other tobaccos.

Table 51.--Flue-cured tobacco: Prices paid for stemmed tobacco, by stalk position and by 6-month periods, January 1978-December 1984

Period	Primings		Lugs		Cutters		Smoking Leaf		Leaf	
	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported
	Per pound									
1978:										
Jan.-June	***	1/	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	1/	***	***	***	1/	***	***
1979:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	1/	***	***	***	***	***	***	***	***
1980:										
Jan.-June	***	1/	***	***	***	***	***	***	***	***
July-Dec.	***	1/	***	***	***	***	***	1/	***	***
1981:										
Jan.-June	***	***	***	1/	***	***	***	1/	***	***
July-Dec.	***	1/	***	***	***	1/	***	***	***	1/
1982:										
Jan.-June	***	***	***	1/	***	1/	***	***	***	1/
July-Dec.	***	1/	***	1/	***	***	***	***	***	1/
1983:										
Jan.-June	***	1/	***	1/	***	***	***	1/	***	***
July-Dec.	***	1/	***	***	***	***	***	***	***	***
1984:										
Jan.-June	***	1/	***	1/	***	***	***	1/	***	***
July-Dec.	***	1/	***	***	***	***	***	1/	***	***

1/ No prices reported.

Source: Compiled from data submitted in response to questionnaries of the U.S. International Trade Commission. Data for 1978-80 from Inv. No. 22-43.

Table 52.--Burley tobacco: Prices paid for stemmed tobacco, by stalk positions and by 6-month periods, January 1978-December 1984

Period	Flyings		Lugs		Leaf		Tips	
	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported
	Per pound							
1978:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1979:								
Jan.-June	***	***	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1980:								
Jan.-June	***	***	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1981:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	***	***	1/	***	1/
1982:								
Jan.-June	***	1/	***	***	***	***	***	1/
July-Dec	***	***	***	1/	***	***	***	***
1983:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	***	***	***	***	1/
1984:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	1/	***	***	***	1/

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Data for 1978-80 from Inv. No. 22-43.

these tables for the period 1981-84 are based on responses from six dealers able to distinguish their imported products by stalk position. 1/ Other dealers informed the Commission that until recent years their purchases and sales frequently were based on internal grading systems that recognized the stalk position of a particular tobacco. However, according to these dealers, tobacco imports are increasingly of mixed stalk-position leaves that have been stemmed and threshed (known as strip). In testimony, dealers stated that it is no longer possible for them to distinguish tobacco of one stalk position from that of another position. Data for 1978-80 were obtained from Investigation 22-43. 2/

In most instances the prices paid for domestic tobacco were well above the prices paid to dealers for imported tobacco in the same period. This differential was small, however, in the case of cutters purchased during January-June 1984 and for smoking leaf purchased during July-December 1983. Prices paid for mid-stalk flue-cured tobacco were generally higher than prices paid for leaf from other stalk positions. With the exception of prices of imported primings and lugs, prices for both domestic and imported tobacco have increased noticeably from 1978 through 1984. The weighted-average price for domestic flue-cured tobacco during 1978-80 was $2.00 per pound, but it increased to $2.52 per pound (or by 26 percent) during 1981-84. The average price paid for imported flue-cured tobacco, which was $1.56 during 1978-80, increased by 18.6 percent to $1.85 per pound during 1981-84.

Prices for domestic and imported burley tobacco show many of the same characteristics as those of flue-cured. Prices of domestic burley tobacco purchased by cigarette manufacturers generally increased from 1978 through 1984. The weighted-average price of domestic tobacco in 1978-80 was $2.37 per pound; during 1981-84 it increased to $3.14 per pound (or by 32.5 percent). The average price of imported burley tobacco during the earlier period was $1.32 per pound; it increased to $1.90 per pound, or by 43.9 percent, in 1981-84.

As in the case of flue-cured tobacco, the price paid for any particular stalk position of burley tobacco was generally substantially lower for imports than for domestic tobacco throughout 1978-84. This fact suggests that imported tobacco of any particular stalk position is likely to command lower prices in the U.S. market than domestic tobacco of the same stalk position. Whether this differential in price solely resulted from the fact that imported tobacco was lower in price or whether it resulted from other factors, such as quality, could not be determined from the data. To explore this question, cigarette manufacturers were asked to report prices based on their assessment of comparable quality reflected in their actual purchases. If purchasers must buy more expensive imported tobacco in order to obtain quality equivalent to domestic tobacco, it is possible that imported tobacco prices may be

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1/ Data for cigar-type tobacco were insufficient to make price comparisons on a stalk-position basis.

2/ The data in these tables regarding domestic tobacco prices are generally consistent between the two investigations, having been obtained from the same group of cigarette manufacturers. The data regarding imported tobacco prices, however, are less reliable. These latter data were obtained from fewer dealers in the current investigation than previously, and more frequently represent only one dealer in any particular period.

effectively higher than appears in a comparison of prices based on leaf position.

Comparative quality.--Comparisons of prices of flue-cured, burley, and cigar-type tobaccos on the basis of comparative quality are made in tables 53 and 55. These comparisons are based on the hypotheses that imported tobacco is generally of lower quality and that a cigarette manufacturer will purchase higher-position imported leaf to replace a lower-position U.S. leaf in its tobacco blends. The data in these tables for the period 1981-84 are based on responses from the major cigarette and cigar manufacturers in the current investigation, which are considered to be consistent with data supplied in Investigation No. 22-43.

It is apparent that, even with allowance for the alleged differences in quality between domestic and imported tobacco, prices for imports (judged by cigarette manufacturers to be generally comparable with certain domestic tobacco for use in their blends) are still typically lower than prices of domestic tobacco. The weighted average price paid by manufacturers for imported flue-cured tobacco was about $1.40 per pound in 1978-80, $0.60 less than the average $2.00 price for domestic tobacco. This differential declined slightly to $0.56 during the period 1981-84 as the average domestic price increased 26 percent to $2.52 and the average price of comparable imports increased by 40 percent to $1.96.

The weighted-average price paid by manufacturers for imported burley tobacco was about $1.42 per pound in 1978-80, $0.92 less than the average $2.37 price for domestic tobacco. This differential increased to $1.07 during the period 1981-84 as the average domestic price increased by 32 percent to $3.14, and the average imported price increased by 46 percent to $2.07.

Cigar manufacturers stated, in response to the request for price data regarding their purchases of fire-cured and dark-air-cured-type tobacco, that they were unable to provide the information in the form requested. With only one exception, these manufacturers provided information on their purchases of domestic and imported cigar tobacco (filler, binder, and scrap) without regard to the particular comparable domestic variety. There are no clear trends in the prices reported by cigar manufacturers, although scrap prices appear relatively stable throughout 1981-84. In general, prices reported for imported filler tobacco were substantially above the price of domestic tobacco purchased for the same purpose. No prices were reported for imported binder tobacco. Prices for imported scrap remained moderately above the prices for domestic scrap tobacco throughout the period for which data were requested. No price data are available for cigar tobacco prior to the current investigation.

Table 53.--Flue-cured tobacco: Prices paid by cigarette manufacturers for stemmed tobacco of like kind and quality by 6-month periods, January 1978-December 1984

Period	Primings		Lugs		Cutters		Smoking Leaf		Leaf	
	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported
	Per pound									
1978:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	1/	***	***	***	***
1979:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***
1980:										
Jan.-June	***	***	***	***	***	1/	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***
1981:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***
1982:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***
1983:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***
1984:										
Jan.-June	***	***	***	***	***	***	***	***	***	***
July-Dec.	***	***	***	***	***	***	***	***	***	***

1/ No prices reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Data for 1978-80 from Inv. No. 22-43.

Table 54.--Burley tobacco: Prices paid by cigarette manufacturers for stemmed tobacco of like kind and quality, by 6-month periods, January 1978-December 1984

Period	Flyings		Lugs		Leaf		Tips	
	Domestic	Imported	Domestic	Imported	Domestic	Imported	Domestic	Imported
	Per pound							
1978:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1979:								
Jan.-June	***	***	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1980:								
Jan.-June	***	***	***	***	***	***	***	***
July-Dec	***	***	***	***	***	***	***	***
1981:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	***	***	1/	***	1/
1982:								
Jan.-June	***	1/	***	***	***	***	***	1/
July-Dec	***	***	***	1/	***	***	***	***
1983:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	***	***	***	***	1/
1984:								
Jan.-June	***	1/	***	***	***	***	***	***
July-Dec	***	1/	***	1/	***	***	***	1/

1/ No prices reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Data for 1978-80 from Inv. No. 22-43.

Table 55.--Cigar tobacco: Prices paid by cigar manufacturers for stemmed tobacco of like kind and quality, by 6-month periods, January 1981-December 1984

Period	Filler		Binder		Scrap	
	Domestic	Imported	Domestic	Imported	Domestic	Imported
1981:						
Jan.-June	1/	***	***	1/	***	***
July-Dec	***	***	***	1/	***	***
1982:						
Jan.-June	1/	***	***	1/	***	***
July-Dec	***	***	***	1/	***	***
1983:						
Jan.-June	1/	***	***	1/	***	***
July-Dec	***	***	***	1/	***	***
1984:						
Jan.-June	***	***	***	1/	***	***
July-Dec	***	***	***	1/	***	***

1/ No prices reported.

Source: Compiled from data submitted in response to official questionnaires of the U.S. International Trade Commission.

LETTER FROM THE PRESIDENT, LETTER FROM FAS CONCERNING APPROPRIATE TSUS ITEMS, AND LETTER FROM USDA CONCERNING SCOPE

OFFICE OF THE CHAIRWOMAN
USITC
197
84 SEP 10 A 9:44

THE WHITE HOUSE
WASHINGTON,

September 7, 1984

Dear Madam Chairwoman:

Pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, wherever classified in the Tariff Schedules of the United States, are practically certain to be imported under such conditions and in such quantities as to materially interfere with the price support and production adjustment programs for tobacco conducted by the Department of Agriculture.

The United States International Trade Commission is therefore directed to make an immediate investigation under Section 22 of the Agricultural Adjustment Act of 1933, as amended, to have precedence over other investigations the Commission may be conducting, to determine whether the above-described articles are practically certain to be imported under such conditions and in such quantities as to materially interfere with the tobacco price support and production adjustment programs now conducted by the Department of Agriculture, and to report its findings and recommendations at the earliest practicable date.

Sincerely,

Ronald Reagan

The Honorable Paula Stern
Chairwoman
United States International
Trade Commission
Washington, D.C. 20436

United States Department of Agriculture
Foreign Agricultural Service
OFFICE OF [illegible] Washington, D C 20250

2.24

[illegible] 12:02

Oct 2

Honorable Paula Stern
Chairwoman
International Trade Commission
701 E. Street, N.W.
Washington, D.C. 20436

Dear Madame Chairwoman:

We understand that, in connection with the investigation directed by the President under Section 22 of the Agricultural Adjustment Act of 1933, as amended, with respect to imports of unmanufactured tobacco, the Commission would like the views of the Department of Agriculture concerning the specific tariff categories for which investigation would be appropriate. In our view, these categories are as follows:

Would Be Appropriate		Would Not Be Appropriate	
TSUS		TSUS	
170.20	Filler, mixed not stemmed	170.01	Two or more ctys, not stemmed
170.25	Filler, mixed, stemmed	170.05	Two or more ctys, stemmed
170.32	Filler, cigarette, not stemmed	170.10	Wrapper, not stemmed
170.35	Filler, cigarette, stemmed	170.15	Wrapper, stemmed
170.40	Filler, cigar, not stemmed	170.28	Filler oriental
170.45	Filler, cigar, stemmed	170.55	Stems, cut
170.50	Stems not cut		
170.60	Scrap		
ex 170.80	Unmanufactured, not specified		

Sincerely,

[signature]

[illegible] Mayer

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

OCT 2 5 1984

5849698

Michael H. Stein
General Counsel
International Trade Commission
701 E Street, N.W.
Washington, D.C. 20436

Dear Mr. Stein:

The President, on the advice of the Secretary of Agriculture, directed the International Trade Commission to conduct an investigation under section 22 of the Agricultural Adjustment Act of 1933 concerning certain imported tobacco. You have asked us to clarify the intended scope of this inquiry. More specifically, you have asked us to clarify the time period that we believe should be examined in the course of the investigation.

As you know, the President's letter to the Commission directs that an investigation be made to determine whether specified tobacco articles "are practically certain to be imported under such conditions and in such quantities as to materially interfere with the tobacco price support and production adjustment programs" of the Department of Agriculture. It appears to us that the President's directive calls for an examination of United States tobacco imports and their impact that is forward looking. At the same time, we believe that in reaching a full understanding of whether tobacco imports are practically certain to materially interfere with the Department's programs it is appropriate to consider our historical experience in this area. Consequently, we believe the Commission's investigation should be open to an examination of all available information regarding imports of tobacco and their impact on the programs of the Department in the past and at the present time as well as in the immediate future.

If we can be of any further assistance to you in this matter, please feel free to call upon us.

Sincerely,

Daniel G. Amstutz
Under Secretary
International Affairs
and Commodity Programs

APPENDIX B

COMMISSION'S NOTICE OF INSTITUTION

[Investigation No. 22-47]

Certain Tobacco

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation under section 22(a) of the Agricultural Adjustment Act (7 U.S.C. 624(a)) and scheduling of a public hearing in connection therewith.

SUMMARY: Following receipt on September 10, 1984, of a request from the President for an investigation under section 22 of the Agricultural Adjustment Act, the Commission instituted investigation No. 22-47 for the purpose of detertmining whether flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, as provided for in items 170.20, 170.25, 170.32, 170.35, 170.40, 170.45, 170.50, 170.60, and 170.80 of the Tariff Schedules of the United States (TSUS), is being or is practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support and production adjustment programs for tobacco of the U.S. Department of Agriculture.

EFFECTIVE DATE: September 10, 1984.

FOR FURTHER INFORMATION CONTACT: William Lipovsky (202-724-0097), Agriculture Division, Office of Industries, U.S. International Trade Commission, or David Coombs (202-523-1376), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background

The President's letter, which was dated September 7, 1984, stated that "I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that flue-, fire-, and dark air-cured tobacco and burley tobacco, in unmanufactured form, wherever classified in the Tariff Schedules of the United States, are practically certain to be imported under such conditions and in such quantities as to materially interfere with the price support and production adjustment programs for tobacco conducted by the Department of Agriculture." The President directed that the Commission investigate to determine whether such tobacco is "practially certain to be imported under such conditions and in such quantities as to materially interfere with the tobacco price support and production adjustment programs now conducted by the Department of Agriculture, and to report its findings and recommendations at the earliest practicable date."

Participation in the investigation

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11) not later than 21 days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairwoman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c)).

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on January 3, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on December 13, 1984. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on December 18, 1984, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is December 21, 1984.

Testimony at the public hearing shall be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs. Posthearing briefs shall not exceed ten (10) pages of textual material, double spaced, on stationery measuring 8½ x 11 inches, and must be submitted not later than the close of business on January 10, 1985. In addition, the presiding official may permit persons to file answers to questions or request made by the Commission at the hearing within a specified time. The Secretary shall not accept for filing posthearing briefs or answers which do not comply with the provisions contained in this notice.

Written submissions

As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before January 10, 1985. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and request for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 201, Subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 204.2 of the Commission's rules (19 CFR 204.2).

Issued: October 5, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-26878 Filed 10-10-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

WITNESSES APPEARING AT THE PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Tobacco

Inv. No. : 22-47

Date and time: January 3, 1985 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Congressional/State appearances:

Honorable Jesse A. Helms, United States Senator, State of North Carolina

Honorable Wendell Ford, United States Senator, State of Kentucky

Honorable Mitch McConnell, United States Senator-Elect, State of Kentucky

Honorable Charles G. Rose, United States Representative, State of North Carolina--Chairman, Subcommittee on Tobacco and Peanuts, House Agriculture Committee

Honorable Carroll Hubbard, Jr., United States Representative, State of Kentucky

Honorable Charles Whitley, United States Representative, State of North Carolina

Honorable Larry Hopkins, United States Representative, State of Kentucky

Honorable Thomas E. Petri, United States Representative, State of Wisconsin

Honorable Charles F. Hatcher, United States Representative, State of Georgia

Honorable Harold Rogers, United States Representative, State of Kentucky

Honorable Roy Dyson, United States Representative, State of Maryland

Congressional/State appearances (continued):

Honorable Robert Lindsay Thomas, United States Representative, State of Georgia

Honorable Robin M. Tallon, United States Representative, State of South Carolina

Auggie Tantillo, Legislative Assistant, on behalf of: Honorable Strom Thurmond, United States Senator, State of South Carolina

Ron Hamm, Legislative Assistant, on behalf of: Honorable Thomas J. Bliley, Jr., United States Representative, State of Virginia

Honorable James A. Graham, Commissioner, State of North Carolina, Department of Agriculture

Legislative Research Commission, Frankfort, Kentucky

The Kentucky Tobacco Task Force

Representative Ward "Butch" Burnette, Chairperson

Senator Doug Moseley

Representative Adrian Arnold

Representative Pete Worthington

Representative Harry Moberly

U. S. Government witnesses:

United States Department of Agriculture, Washington, D.C.

Alan T. Tracy, Deputy Under Secretary for International Affairs and Commodity Programs

Daniel Brainza, Office of the General Counsel

Kenneth E. Howland, Deputy Director, Tobacco, Cotton and Seeds Division, Foreign Agricultural Service

Robert H. Miller, Leader, Tobacco and Peanuts Group, Agricultural Stabilization and Conservation Service

Jessie Thomas Bunn, Deputy Director, Tobacco Division, Agriculture Marketing Service

Domestic:

Kilpatrick & Cody--Counsel
Washington, D.C.
on behalf of

The American Farm Bureau Federation
South Carolina Farm Bureau
Virginia Farm Bureau
Kentucky Farm Bureau
Indiana Farm Bureau
Tennessee Farm Bureau Federation, Inc.
Florida Farm Bureau Federation
North Carolina Farm Bureau
Connecticut Farm Bureau
Georgia Farm Bureau
Ohio Farm Bureau
Wisconsin Farm Bureau Federation
Maryland Farm Bureau, Inc.

Ray Mackey, President, Kentucky Farm Bureau Federation, Louisville, Kentucky

Fred G. Bond, General Manager, Flue-Cured Tobacco Stabilization Cooperative, Raleigh, North Carolina

Dr. Lynn Daft, Vice President, Abel, Daft and Earley, Washington, D.C.

Bruce Flye, Tobacco Grower, Battleboro, North Carolina

Eleanor Jarmoc, Connecticut Tobacco Grower, Hartford, Connecticut

Dr. Milton Shuffett, Department of Economics, University of Kentucky, Lexington, Kentucky

Dr. William Toussant, Department of Economics, North Carolina State University, Raleigh, North Carolina

Joseph W. Dorn)
Thomas R. Graham)--OF COUNSEL
Martin M. McNerney)

Importers:

Rose, Schmidt, Dixon and Hasley--Counsel
Washington, D.C.
on behalf of

The Cigar Association of America, Inc.

Norman F. Sharp, President of CAA

Peter Buck Feller)
Lawrence J. Bogard) --OF COUNSEL

Dow, Lohnes & Albertson--Counsel
Washington, D.C.
on behalf of

The Tobacco Marketing Board of Zimbabwe ("TMBZ")

R. G. Newman, Chief Executive, TMBZ

Raymond G. Bender, Jr.)
Margaret B. Dardess) --OF COUNSEL

Busby, Rehm and Leonard--Counsel
Washington, D.C.
on behalf of

The Leaf Tobacco Exporters Association (LTEA) and
The Tobacco Association of the United States (TAUS)

Dale E. Hathaway, Vice President, The Consultants International Group, Inc., Washington, D.C.

Hugh C. Kiger, Executive Vice President, LTEA, Raleigh, North Carolina

James H. Starkey, III, Vice President, Universal Leaf Tobacco Company, Richmond, Virginia

William Lanier, Tobacco grower, Metter, Georgia

Will E. Leonard)
Edward R. Easton) --OF COUNSEL
Philippe M. Bruno)

Interested parties:

Embassy of The Republic of Malawi, Washington, D.C.

His Excellency Ambassador Nelson T. Mizere, Leader of Delegation

Lucius Chikuni, Minister, Deputy Leader of Delegation

G. Chiundira, Secretary for Trade & Industry - Member

J. P. Stevens, Malawi Tobacco Control Commission - Member

APPENDIX D

EXAMPLES OF THE ESTABLISHMENT OF PRICE SUPPORT AND ASSESSMENT RATES

BURLEY TOBACCO: PRICE SUPPORT CALCULATIONS

- "BASIC FORMULA"
  1. 3-Year average of PARITY INDEX:

1981 - 1,035	1982 - 1,076
1982 - 1,076	1983 - 1,105
1983 - 1,105	1984 - 1,140 est.
Total = 3,216	Total = 3,321
Average = 1,072	Average = 1,107
2. Divided by 298 = 3.60 (1959 = 298)	Divided by 298 = 3.71
3. Multiplied by 57.2 = (1959 support) 205.9¢	Multiplied by 57.2 = 212.2¢

- "NORMAL INCREASE"
  1. 1985 Basic F. minus 1984 Basic F
     212.2 − 205.9 = 6.3¢
  2. Add to 1984 support: 175.1 + 6.3 = 181.4¢

- "65% INCREASE"
  1. Normal increase multiplied by .65
     6.3 × .65 = 4.1 cents
  2. Add to 1984 support: 175.1 + 4.1 = 179.2¢

Source: Remarks by Robert Tarczy, ASCS, for delivery at the Burley and Dark Leaf Tobacco Exporters Association annual convention, Sept. 27-29, 1984.

EXAMPLE: ASSESSMENT DETERMINATION

Assumptions:

Assumptions:
1984 Crop 100 million pounds received (Green)
85 million pounds received (dry)
Crop 700 Million Pounds
Interest Rate 10%
Loan Advances $180 ml.
Processing etc. 30
210

Year	Pounds	Principal	Storage	Interest	Total	Cost/Sales Per LB.
			-----millions-----			
1985(1)	85	210	.5	21.0	231.5	2.72
1986(2)	85	210	1.0	42.0	253.0	2.98
1987(3)	85	210	1.5	63.5	275.0	3.24
SALE	(20)	(46.1)		(13.9)	(60.0)	(3.00)
Bal.	65	163.9	1.5	49.6	215.0	3.31
1988(4)	65	163.9	2.0	66.0	231.9	3.57
SALE	(20)	(50.0)		(15.0)	(65.0)	(3.25)
Bal.	45	113.9	2.0	51.0	166.9	3.70
1989(5)	45	113.9	2.3	62.4	178.6	3.97
SALE (Bid)	(45)	86.7		47.0	(133.7)	(2.97)
BALANCE	0	27.2	2.3	15.4	44.9 Loss.	

700 ml. crop
1¢ = $7 million 6.4¢ needed

5 yr. Fund/Acct.
9.5% Annual Int on Acct.
X 5 yrs.
47.5%

147.5 x = 6.5¢
x = 4.338¢ Assessment needed
4.338 x 700 x 1475.5 = 44.79
ASSESSMENT SHOULD BE 5¢

Source: USDA, ASCS