

UNITED STATES TARIFF COMMISSION

**SUMMARIES OF TRADE AND TARIFF
INFORMATION**

**Prepared in Terms of the Tariff Schedules
of the United States (TSUS)**

Schedule 1

**Animal and Vegetable Products
(In 14 volumes)**

Volume 11

Tobacco and Tobacco Products

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SUMMARIES OF TRADE AND TARIFF INFORMATION BY SCHEDULES

- Schedule 1 - Animal and Vegetable Products
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- Schedule 3 - Textile Fibers and Textile Products
(In 6 volumes)**
- Schedule 4 - Chemicals and Related Products
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- Schedule 5 - Nonmetallic Minerals and Products
(In 5 volumes)**
- Schedule 6 - Metals and Metal Products
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- Schedule 7 - Specified Products; Miscellaneous
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(In 8 volumes)**
- Schedule 8 - Special Classification Provisions
(In 1 volume)**

Schedule 1 Volumes

- 1 - Animals and Meats**
- 2 - Fish, Fresh, Chilled, Frozen, or Cured**
- 3 - Fish Products, Shellfish, and Shellfish Products**
- 4 - Dairy Products and Birds' Eggs**
- 5 - Live Plants and Seeds**
- 6 - Cereal Grains, Malts, Starches, and Animal Feeds**
- 7 - Vegetables and Edible Nuts**
- 8 - Edible Fruits and Fruit Products**
- 9 - Sugar, Cocoa, Confectionery, Coffee, Tea, and
Spices**
- 10 - Beverages**
- 11 - Tobacco and Tobacco Products**
- 12 - Animal and Vegetable Oils**
- 13 - Hides, Skins, Leather, Feathers, and Miscel-
laneous Articles of Animal Origin**
- 14 - Edible Preparations, Natural Resins, and Miscel-
laneous Articles of Vegetable Origin**

F O R E W O R D

In an address delivered before a Boston audience on May 18, 1917, Frank W. Taussig, the distinguished first chairman of the Tariff Commission, delineated the responsibility of the recently established Commission to operate as a source of objective factual information on all aspects of domestic production and trade. As an initial step in meeting this obligation, the chairman stated, the Commission was preparing--

a handy source of reference . . . designed to have on hand, in compact and simple form, all available data on the growth, development, and location of industries affected by the tariff, on the extent of domestic production, on the extent of imports, on the conditions of competition between domestic and foreign products.

The first such report was issued in 1920, and subsequent general issues of tariff summaries were published in 1921, 1929, and 1948-50.

In the 50 years since its establishment the Commission has been assigned many duties by the Congress, but the primary obligation for factfinding and production of information has remained a continuous major responsibility. Through its professional staff of commodity specialists, economists, lawyers, statisticians, and accountants, the Commission maintains constant surveillance of trade in the thousands of articles provided for in the Tariff Schedules of the United States. In its files and in the accumulated knowledge of its staff, the Commission has, therefore, built up a large reservoir of data and understanding not only with respect to imports but also with regard to significant developments affecting individual products and their uses and to processing and manufacturing techniques, business practices, and world trade. The publication of the present Summaries of Trade and Tariff Information will make available a current broad cross section of this information and understanding.

Every effort has been made to include all pertinent information in the summaries so that they will meet the needs of wide and varied interests that include the Congress, the courts, Government agencies, importers, business concerns, trade associations, research organizations, and many others. The structure of the individual summaries conforms generally with the earlier admonition of Chairman Taussig that the work "be exhaustive in inquiry, and at the same time brief and discriminating in statement." The scope of the entire project is encyclopedic, requiring concise and accurate descriptions of thousands of products, with indications of their uses, methods of production, number of producers, world supplies, and appraisals of their importance in trade and in our economy. In a society such as ours that has become progressively more dynamic, the task of sifting the essential from the nonessential has become both more difficult and more

important. Nevertheless, the summaries include substantive analytical material with regard to the basic factors affecting trends in consumption, production, and trade, and those bearing on the competitive position and economic health of domestic industries.

The publication of tariff summaries is particularly appropriate at this time. On August 31, 1963, the 16 schedules in titles I and II of the Tariff Act of 1930, certain import-excite provisions, other provisions of law, and some administrative practices were superseded by the Tariff Schedules of the United States (abbreviated to TSUS in these volumes). These changes resulted in an extensive regrouping of imports under 8 new tariff schedules and in modifications of the nomenclature and rates of duty for many articles. The summaries present for the first time full information on tariff items under the new structure, including import data derived through use of the Tariff Schedules of the United States Annotated (which comprises the legal tariff text plus statistical annotations).

Commodities are generally identified in the summaries in non-technical language, which will meet most requirements. As an aid where more complete information is desired, the applicable legal language from the TSUS is reproduced in each volume as appendix A, which includes the article description, together with the general headnotes and rules of interpretation, and the directly applicable headnotes. Thus each volume will permit convenient reference to the statutory tariff language pertinent to the summaries it contains.

Publication of the 62 volumes projected for the series is scheduled under a 3-year program. Individual volumes, however, will be released as rapidly as they are prepared. For practical reasons the sequence of the summaries in the volumes do not necessarily follow the numerical sequence of the TSUS; however, all item numbers of the tariff schedules will be covered. The titles of the volumes to be issued for a particular TSUS schedule are set forth on the inside cover of the volumes for that schedule.

We believe that the current series of summaries, when completed, will represent the most comprehensive publication of its kind and that the benchmark information it presents will serve the needs of many interests.



Paul Kaplowitz,
Chairman.

SUMMARIES OF TRADE AND TARIFF INFORMATION

SCHEDULE 1

VOLUME 11

C O N T E N T S

	<u>Page</u>
Foreword-----	iii
Introduction-----	1
Mixed leaf tobacco of two or more countries-----	3
Wrapper tobacco-----	5
Filler tobacco (except cigarette leaf) and scrap tobacco-----	19
Cigarette leaf-----	37
Tobacco stems-----	57
Cigarettes-----	61
Cigars and cheroots-----	71
Snuff and snuff flour-----	81
Smoking tobacco and chewing tobacco-----	85
Appendixes:	
Appendix A. Tariff Schedules of the United States: General headnotes and rules of interpretation, and excerpts relating to the items included in this volume---	97
Appendix B. Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1965-----	109

Numerical List of TSUS Items in This Volume

	<u>Page</u>		<u>Page</u>
170.01-----	3	170.43-----	19
170.05-----	3	170.44-----	19
170.10-----	5	170.45-----	19
170.11-----	5	170.46-----	19
170.15-----	5	170.47-----	19
170.20-----	19	170.48-----	19
170.21-----	19	170.49-----	19
170.22-----	19	170.50-----	57
170.23-----	19	170.55-----	57
170.24-----	19	170.60-----	19
170.25-----	19	170.61-----	19
170.26-----	19	170.62-----	19
170.27-----	19	170.63-----	19
170.30-----	37	170.64-----	19
170.31-----	37	170.65-----	61
170.32-----	37	170.70-----	71
170.35-----	37	170.71-----	71
170.36-----	37	170.72-----	71
170.37-----	37	170.73-----	71
170.40-----	19	170.74-----	71
170.41-----	19	170.75-----	81
170.42-----	19	170.80-----	85

The United States is the world's largest producer and exporter, and the third largest importer, of leaf tobacco. In the 20 years after World War II, however, U.S. tobacco production and exports increased very little, while world production rose by a fourth and world exports by a half. In 1965 the farm value of the U.S. crop amounted to \$1.2 billion, exports were valued at \$383 million, and imports at \$130 million.

Over 600,000 farm families in the United States and Puerto Rico grow and sell tobacco. In the 18 States where tobacco is an important commercial crop, it provides, in the aggregate, 10 percent of farmers' cash income. In North Carolina and Kentucky, however, tobacco accounts for nearly 40 percent, and in South Carolina, Virginia, and Connecticut, about 20 percent.

The United States is also the world's largest producer and exporter of cigarettes and the largest producer of cigars. Manufacturers' sales of tobacco products amounted to \$6 billion in 1965; exports were valued at \$123 million that year, and imports at \$5 million. Federal tobacco taxes in the fiscal year 1964/65 amounted to \$2.1 billion, twice the total farm value of the tobacco crop.

Types of tobacco differ as to plant strain, culture, and method of curing. Dependent on these factors, and the climate and soil where the tobacco is grown, properties of the leaf vary greatly and determine its use in particular tobacco products. Few countries are self-sufficient in all types, so that about one-fourth of world production enters international trade.

Many types of tobacco are grown in the United States; cigarette tobaccos (flue-cured, burley, and Maryland) make up 90 percent of the domestic output. Three types (cigar filler, binder, and wrapper) together account for 6 percent. The remainder consists of types used principally in snuff and in chewing and pipe-smoking tobacco (viz, fire-cured, dark air-cured, sun-cured, and perique). Imports are primarily oriental cigarette tobaccos and tropical or subtropical cigar leaf and scrap used in blends with domestic leaf. Flue-cured tobacco comprises 80 percent of all exports. Burley and Maryland make up another 10 percent, while fire-cured, sun-cured, cigar wrapper, and binder comprise most of the remainder.

U.S. consumption of domestic tobacco lagged behind the increasing output of cigarettes and cigars in the 20 years after World War II. Changing technology allowed greater use of stems and scrap in cigarette manufacture; displacement of regular-size cigarettes by filter brands with a smaller tobacco column reduced the total amount of leaf tobacco used per cigarette; less domestic tobacco per cigarette was needed because the proportion of imported oriental tobacco in cigarette blends increased. The use of homogenized tobacco sheet

as binder in most U.S. cigars radically reduced the consumption of natural cigar binder leaf. Declines in consumption of pipe-smoking tobacco, chewing tobacco, and snuff diminished the domestic market for fire-cured, dark air-cured, and burley leaf.

U.S. exports of leaf tobacco rose less than 10 percent after World War II. Among the factors restricting U.S. export expansion in recent years have been the high prices for U.S. leaf resulting from price supports; the system of preferential tariffs for trade within the British Empire; control of imports by Government tobacco monopolies; import licensing and foreign exchange allocation in important markets; and bilateral trading arrangements made by other tobacco-producing countries.

U.S. price support under a statutory formula is mandatory for leaf tobacco except cigar wrapper when growers accept marketing quotas. The lag in market expansion, together with increasing yields per acre, led to severe acreage restrictions under this program. At the beginning of the 1965 marketing year, carryover stocks of domestic tobacco in the United States amounted to a record 4.6 billion pounds. Domestic manufacturers of tobacco products held their usual two-year supply, 2.8 billion pounds; grower cooperatives held 1.3 billion pounds under Federal price-support loans. The remainder was held by dealers and exporters.

U.S. Government programs designed to build export markets for U.S. tobacco and other agricultural products are provided for under Public Law 480, 83d Congress. Government to Government arrangements for the sale of tobacco for foreign currency are made under Title I of that law. Under Title III, private contractors, with the concurrence of the U.S. Department of Agriculture, may export tobacco to specified markets in exchange for goods to be delivered to the Department of Defense, the Agency for International Development, the General Services Administration, or other Government agencies. Under Title IV of Public Law 480, sales may be made on the basis of Government to Government long-term credit. In fiscal years ending June 30 of 1955-65, export sales of tobacco (nearly all cigarette tobacco) under all Government programs totaled 702 million pounds, with a value of \$486 million, and comprised 13 percent of total U.S. tobacco exports in the period.

Beginning in 1962 the Commodity Credit Corporation paid an export sales subsidy on tobacco from 1956 and earlier crops amounting to 20 percent of the export sales price from funds authorized in section 32 of Public Law 320 (74th Congress). In August 1966, an export subsidy of 10 cents per pound was being paid on flue-cured tobacco of the 1960, 1961, and 1962 crops and a subsidy of 5 cents per pound on other tobacco (except Maryland, cigar wrapper, and Pennsylvania Seed-leaf) from whatever crop year.

<u>Commodity</u>	<u>TSUS item</u>
Leaf tobacco, the product of two or more countries or dependencies, when mixed or packed together:	
Not stemmed-----	170.01
Stemmed-----	170.05

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

For many years there have been no imports of leaf tobacco mixed or packed as here described.

Comment

This summary relates only to imported leaf tobacco (whether wrapper or filler or both), the product of two or more countries or dependencies which is mixed or packed together before importation.

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

<u>TSUS item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Leaf tobacco, the product of two or more countries or dependencies, when mixed or packed together:	
170.01	Not stemmed-----	\$2.275 per lb.
170.05	Stemmed-----	\$2.925 per lb.

The above rates are those that were initially provided in the Tariff Act of 1930 for such imported tobacco, as well as for wrapper tobacco and for filler tobacco when mixed or packed with more than 35 percent of wrapper. The rates on the latter products (discussed in other summaries of this volume) were subsequently reduced pursuant to trade-agreement concessions, whereas the above rates have not been subject to any trade-agreement concession.

There have been no imports for a number of years of the leaf tobacco here considered. The rates of duty on such products are substantially higher than are the rates of duty on leaf tobacco, the product of a single country. The imports reported under item 170.01 in the official statistics for 1965--487,386 pounds, valued at \$365,540--should have been reported under item 170.30 (cigarette tobacco); they are included in the import data of the summary on that item.

<u>Commodity</u>	<u>TSUS item</u>
Wrapper tobacco:	
Not stemmed-----	170.10, -.11.
Stemmed-----	170.15

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

The United States, which became a large net exporter of cigar wrapper tobacco after World War II, now produces slightly more than half the world's output of such tobacco. In 1965, U.S. exports, which accounted for 22 percent of domestic output, were valued at \$14 million; imports were small compared with exports.

Description and uses

The term "wrapper tobacco," as defined in the Tariff Schedules of the United States (headnote 1, part 13, schedule 1) means "that quality of leaf tobacco which has the requisite color, texture, and burn, and is of sufficient size for cigar wrappers." Wrapper leaf is employed as the smooth outer covering of cigars and is thin and elastic, of fine texture, even color, free from large veins, neutral in taste when burned, or with a flavor blending well with that of the filler and binder tobacco used in cigars. It also burns evenly.

Tobacco plant types used for wrapper vary from area to area, and have changed over the years with the need to develop strains resistant to particular plant diseases. Differences in plant strain, together with the effects of different soils, fertilizers, cultivation, and curing practices, cause important differences in leaf characteristics.

Wrapper tobacco is best produced under conditions of high atmospheric moisture, diffused sunlight, and a minimal spread between day and night temperatures during the growing season. Highly fertile soil or intensive use of fertilizer is also needed, as are repeated cultivation and spraying to keep weeds and insects under control.

In both the Connecticut Valley and in the Georgia-Florida area, the atmospheric conditions needed to produce wrapper tobacco are obtained by enclosing the growing area under vast tents of lightweight cloth, light in color, stitched to wire held by poles generally

8 or 9 feet tall. Both top and sides of the area are protected. For this reason the leaf is called shade-grown. Most Cuban wrapper is also shade-grown, either under cloth or palm fronds. In Sumatra the moist, tropical atmosphere is ideally suited to wrapper tobacco production and no semihothouse protection is needed. The amount of labor needed to produce wrapper tobacco is greater than that needed for any other kind of tobacco. In the United States and other areas where wrapper is grown under artificial shade, capital investment is an important element in production. Raising wrapper tobacco in the United States costs upwards of \$2,000 per acre.

Wrapper leaves are picked in stages over a period of weeks as they mature. Unless heat-cured, the leaf is racked for air-curing in well ventilated barns for about a month and then packed, under high moisture conditions, in large piles of 4,000 to 6,000 pounds for fermentation to develop the characteristic smoking quality of cigar tobacco. Some leaf is heat-cured for use in place of the olive-green heat-cured wrapper from Cuba now no longer available in the United States.

After curing, the leaf is graded on the basis of soundness, body, degree of injury, shade and uniformity of color. The grades are separated according to leaf length at intervals of about 1 inch, usually ranging overall from 10 to 16 inches. The leaf is tied by grades and lengths into hands of about 30 leaves each, and then compressed into bales or packed in lightweight wood boxes for storage and shipment.

U.S. Connecticut Valley leaf is light olive brown in color and is used extensively in high-priced domestic cigars, while Georgia-Florida wrapper is generally light tan and used in less expensive cigars and cigarillos.

Havana wrapper of the heat-cured "Candela" variety, light olive green in color, was used in earlier years chiefly in U.S. production of Havana cigars containing Cuban tobacco only. Dark brown sun-cured Havana wrapper is preferred in Europe. Before the U.S. embargo on imports from Cuba, which became effective February 7, 1962, the heat-cured "Candela" wrapper was produced by Cuban growers under annual contract with U.S. cigar manufacturers and dealers. The embargo did not apply to tobacco already entered but held in warehouse pending duty-paid withdrawal. Consequently, some wrapper from Cuba continued to enter U.S. trade channels after the embargo. Very little, if any, remained in Customs' bonded warehouses as of the end of 1965. Growers in both the Connecticut Valley and in the Georgia-Florida area now produce heat-cured wrapper, and some is imported from Honduras. Its use has been extended to cigars containing filler imported from countries other than Cuba.

Wrapper from Sumatra, grayish brown to brown in color, is particularly noted for uniformity of color and elasticity. When it was in plentiful supply before World War II, its chief use in the United States was in production of 5-cent cigars. Sumatra wrapper is no longer important in U.S. trade.

Domestic wrapper has the advantage over that from other sources in dependability of supply. This is an important factor for cigar manufacturers who must maintain long-term physical identity for their highly advertised cigar brands. Indonesian leaf has a slight advantage over U.S. wrapper in the number of cigars that can be produced per pound of leaf. Havana wrapper, because of its particular taste quality, commands a higher price in the world market than other wrapper tobacco, although twice as much of it by weight is required to wrap the same number of cigars. Its use is chiefly confined to cigars made wholly of Cuban tobacco.

Tobacco sheet, made by grinding tobacco leaf and stems into fine powder, which is then moistened with an adherent and made into sheets suitable for use as cigar wrapper, is dutiable at the same rate as stemmed wrapper tobacco (item 170.15), by virtue of the similitude provision of item 798.00 (T.D. 56410(41)). Such tobacco sheet is generally called homogenized wrapper. Similar sheet not suitable for cigar wrapper and used as binder, instead of natural binder leaf, in the manufacture of cigars is dutiable at the rate for stemmed filler (170.45), also by virtue of the similitude provision. Filler tobacco, other than cigarette leaf, and scrap tobacco are covered in the summary on items 170.20 et al; cigarette leaf is in the summary on items 170.30-170.37 inclusive.

U.S. tariff treatment

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Wrapper tobacco (whether or not mixed or packed with filler tobacco):	
170.10	Not stemmed-----	90.9¢ per lb.
170.11	If product of Cuba-----	81.9¢ per lb.
170.15	Stemmed-----	\$1.548 per lb.

The rates of duty for items 170.10 and 170.15, which are the same as the rates that were applicable to such products under paragraph 601 of the former tariff schedules, have been in effect since June 29, 1958, and reflect concessions made by the United States in the General Agreement on Tariffs and Trade. On the imports entered under item 170.10 in 1965, the duty of 90.9 cents a pound was

equivalent to 16 percent ad valorem, ranging from 12 percent (on wrapper from Cameroon) to 22 percent (on that from Honduras).

The separate rate for stemmed wrapper tobacco is nominal, inasmuch as wrapper tobacco is practically never marketed in stemmed form. Leaf must be moistened for stemming and, if redried for shipment, is subject to spotting and discoloration. As already indicated, however, the rate is applicable to homogenized tobacco sheet suitable for use as cigar wrapper.

The preferential rate of 81.9 cents a pound on wrapper tobacco, not stemmed, from Cuba was suspended May 24, 1962 (Public Law 87-456), except for withdrawals of the Cuban product then held in bonded warehouses in the United States. On withdrawal of this product in 1965, the rate was equivalent to 14 percent ad valorem. Imports from Cuba have been embargoed since February 7, 1962.

When wrapper and filler tobacco are imported commingled, they are still classified and dutiable as wrapper and filler, respectively. If the ratio of wrapper to the total is 35 percent or less, the wrapper rate of duty is applied to that percentage of the lot determined to be wrapper, and the appropriate lower rate applicable to filler tobacco so mixed or packed (e.g., 16.1 cents per pound for item 170.40) is applied to the remainder. If the ratio of wrapper to the total is greater than 35 percent, however, one rate is applied to the entire lot (e.g., 90.9 cents per pound) since the rate for filler tobacco so mixed or packed (see item 170.20) is the same as the rate for the wrapper tobacco (item 170.10). Headnote 2, part 13, schedule 1 of the TSUS specifies that the percentage of wrapper tobacco in a mixture of wrapper and filler is the ratio of the number of leaves of wrapper to the total number of leaves in the bale, box, package, or other shipping unit containing such mixture, and specifies the sampling procedure for determining this ratio.

U.S. consumption

Consumption of cigar wrapper tobacco in the United States changed moderately in the 6 crop years ending June 30, 1966, fluctuating from 15.1 million pounds to 16.3 million in the first 4 years, rising abruptly to 18 million pounds in 1964/65 and declining to 15.2 million pounds in 1965/66, an amount 1 percent above the consumption level at the beginning of the period (table 1).

Wrapper consumption did not follow the upward trend of cigar production because the increase in the number of cigars produced was in cigarillo sizes for which less wrapper is needed and for which homogenized tobacco sheet is often used instead of natural wrapper leaf.

U.S. producers and production

Cigar wrapper tobacco is produced in two widely separated areas in the United States. The larger area lies in the Connecticut River Valley and extends from the center of Connecticut through Massachusetts, almost to the Vermont border. This area, comprising 9,300 acres, yields two-thirds of the total U.S. output of cigar wrapper. The smaller area, comprising 6,300 acres, lies in five adjoining counties, Gadsden, Leon, and Madison in northern Florida, and Decatur and Grady in western Georgia.

Individual farmers are usually associated with dealers or cigar manufacturers for marketing purposes, since the risk and capital involved in growing shade-grown leaf is too large for small operators to undertake without some market assurance. In the Connecticut Valley, about 30 large cigar manufacturers, packers, and dealers control extensive acreage, either under direct ownership or lease, and account for over 90 percent of production. A few small growers also raise wrapper under contract with cigar manufacturers or packers.

Large cigar companies and dealers also raise tobacco in the Georgia-Florida area but do not dominate production as they do in the Connecticut Valley. About 200 growers produce wrapper under contract with cigar manufacturers and packers, with some advance financing, but with settlement subject to crop grade and market conditions.

Vertical integration in the production and marketing of wrapper leaf has operated to prevent overproduction in the Connecticut Valley. Production there increased from 12.0 million pounds having a farm value of \$22.7 million, in 1960 to 13.5 million pounds, valued at \$33.8 million, in 1964; it increased further to 14.6 million pounds in 1965 but the value dropped to \$33.6 million. The increase in production accompanied an increase in domestic consumption and exports. Stocks declined from 1960 to 1965 (table 3).

Production of Georgia-Florida wrapper declined from 9.3 million pounds, with a farm value of \$18.7 million, in 1960 to 7.6 million pounds, valued at \$18.0 million, in 1964 but recovered to 8.3 million pounds, valued at \$18.7 million, in 1965. A drop in price, despite a drop in production in 1961, led to adoption in 1962 of a marketing order by the producers. Under the marketing order, which limited the number of leaves harvested from each plant, production was curtailed to a level below annual disappearance (domestic consumption plus exports) in 1962-64 and stocks were substantially reduced.

Farm value ascribed to domestic wrapper tobacco applies to the air-cured leaf as it leaves the curing barn, before fermentation, selection, and grading. These subsequent operations more than double the cost per pound to the cigar manufacturer. As compared with an

average farm value of \$2 to \$2.50 per pound, the cost of finished domestic cigar wrapper, depending on grade, is from \$3 to \$8 per pound.

U.S. exports

Exports, which provided an important outlet for U.S. wrapper tobacco in the five crop years ending June 30, 1965, ranged irregularly from 3.4 to 6.4 million pounds a year (farm-sales weight equivalent), amounting to 16 to 34 percent of U.S. production. The value of exports increased from \$8 million in 1960 to \$14 million in 1965 (table 1). Exports have been sustained despite rising prices because of inadequate supplies of wrapper from Sumatra, Cuba, and other foreign sources. In 1960-65, exports of Connecticut Valley wrapper ranged between 2.5 million pounds and 4.1 million pounds annually (21 to 34 percent of annual production), while exports of Georgia-Florida wrapper ranged from 1 million to 2.6 million pounds (11 to 34 percent of production).

In calendar 1965, shipments were made to 35 different countries and dependencies, chief among which were the United Kingdom, Canada, West Germany, the Netherlands, the Canary Islands, and East Germany. Exports in 1960-65, by principal markets, are shown in tables 4 and 5.

U.S. imports

Imports for consumption diminished from 597,000 pounds, valued at \$2.8 million, in 1960 to an average of 237,000 pounds, valued at \$1,295,000 a year, in 1964 and 1965 (table 6). These figures include the imports reported in the official statistics as filler tobacco mixed or packed with over 35 percent wrapper, as well as the imports of wrapper tobacco. Available records indicate that wrapper tobacco comprised the higher proportion of mixed imports; if properly recorded, the wrapper in such mixtures should have been reported as wrapper, and the filler portion as filler.

Withdrawals from bond of Cuban wrapper, reported as imports for consumption, declined rapidly from an average of 612,000 pounds a year in 1960-61 to 85,000 in 1964, and 31,000 in 1965 (table 6). Accordingly, the ratio of imports for consumption to U.S. consumption of all cigar wrapper (on a farm-sales weight basis) dropped from 5 percent in the crop year beginning July 1, 1961, to 2 percent in the crop year beginning July 1, 1965, (table 1).

A decrease in U.S. imports of cigar wrapper tobacco is the result, not only of the embargo on tobacco from Cuba, but of a

general world scarcity of wrapper tobacco. Production of wrapper in Indonesia before World War II averaged 22 million pounds annually. As the result of wartime damage, changed ownership, land redistribution, and the loss of technical personnel, annual production declined to a range of 6 to 8 million pounds in 1960-65, almost all of which was consumed in Western Europe. Production of all tobacco in Cuba has declined since 1962 to about 60 percent of its former level. Production of wrapper declined in company with that of other types. The production of wrapper tobacco in new sources such as Honduras, the Federal Republic of the Cameroon, and Italy is still relatively small.

Table 1.--Cigar wrapper tobacco: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1960-65

(Quantity in thousands of pounds, farm-sales weight;
value in thousands of dollars)

Year beginning July 1--	Production <u>1/</u>	Imports <u>2/</u>	Exports	Consumption <u>3/</u>	Ratio (percent) of imports to consumption
Quantity					
1960-----	21,309	697	3,441	15,097	5
1961-----	19,150	778	5,890	16,278	5
1962-----	19,325	423	4,916	16,023	3
1963-----	18,696	262	6,420	15,662	2
1964-----	21,100	269	4,300	17,969	2
1965-----	22,900	348	5,100	15,248	2
Value					
1960-----	41,421	2,278	8,114	<u>4/</u>	<u>4/</u>
1961-----	41,036	2,963	8,804	<u>4/</u>	<u>4/</u>
1962-----	44,968	1,693	8,228	<u>4/</u>	<u>4/</u>
1963-----	44,923	1,118	12,382	<u>4/</u>	<u>4/</u>
1964-----	51,710	1,186	11,668	<u>4/</u>	<u>4/</u>
1965-----	52,255	1,583	14,137	<u>4/</u>	<u>4/</u>

1/ Production value, farm-sales basis, before fermentation, grading, and packing.

2/ Converted to farm-sales basis by the staff of the U.S. Tariff Commission; includes imports of filler tobacco mixed or packed with over 35 percent wrapper tobacco.

3/ Disappearance of domestic leaf, as reported by the U.S. Department of Agriculture, plus imports.

4/ Not available.

Source: Except as noted, production, exports, and consumption compiled from official statistics of the U.S. Department of Agriculture, and imports compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Cigar wrapper tobacco: Data on U.S. production and disposition thereof, crop years 1960-65 1/

Item	1960	1961	1962
Acreage-----acres--	14,600	13,400	13,200
Yield per acre-----pounds--	1,425	1,342	1,505
Production-----1,000 pounds--	21,309	19,150	19,325
Farm value per pound-----	\$1.94	\$2.14	\$2.33
Crop value-----1,000 dollars--	41,421	41,036	44,968
Carry-in stocks-----1,000 pounds--	22,679	26,116	23,799
Exports-----do-----	3,441	5,890	4,916
Consumption of domestic wrapper-----do-----	14,400	15,500	15,600
	1963	1964	1965
Acreage-----acres--	12,900	13,800	15,600
Yield per acre-----pounds--	1,538	1,578	1,468
Production-----1,000 pounds--	18,696	21,100	22,900
Farm value per pound-----	\$2.40	\$2.45	\$2.28
Crop value-----1,000 dollars--	44,923	51,710	52,255
Carry-in stocks-----1,000 pounds--	22,546	19,563	18,600
Exports-----do-----	6,420	4,300	5,100
Consumption of domestic wrapper-----do-----	15,400	17,700	14,900

1/ Crop years beginning July 1. Weight is farm-sales weight.

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

Table 3.--Cigar wrapper tobacco: Data on U.S. production and disposition thereof, by types, specified crop years 1960 to 1965 1/

Item	1960	1962	1964	1965
Connecticut Valley				
Acreage-----acres--	8,400	7,900	8,400	9,300
Yield per acre-----pounds--	1,425	1,505	1,578	1,570
Production-----1,000 pounds--	11,970	11,891	13,500	14,600
Farm value per pound-----	\$1.90	\$2.50	\$2.50	\$2.30
Crop value-----1,000 dollars--	22,743	29,728	33,750	33,580
Carry-in stocks-----1,000 pounds--	15,087	13,775	11,534	11,800
Exports-----do-----	2,500	2,800	3,100	3,300
Consumption of domestic wrapper-----do-----	8,900	9,200	10,100	9,300
Georgia-Florida				
Acreage-----acres--	6,200	5,300	5,400	6,300
Yield per acre-----pounds--	1,506	1,403	1,415	1,317
Production-----1,000 pounds--	9,339	7,434	7,600	8,300
Farm value per pound-----	\$2.00	\$2.05	\$2.35	\$2.25
Crop value-----1,000 dollars--	18,678	15,240	17,960	18,675
Carry-in stocks-----1,000 pounds--	7,592	10,024	8,029	6,800
Exports-----do-----	1,000	2,100	1,200	1,800
Consumption of domestic wrapper-----do-----	5,500	6,400	7,600	5,600

1/ Crop years beginning July 1. Weight is farm-sales weight.

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

Table 4.--Cigar wrapper tobacco, Connecticut Valley: U.S. exports of domestic merchandise, by principal markets, 1960-65 ^{1/}

Market	1960	1961	1962	1963	1964	1965
	Quantity (thousand pounds) ^{2/}					
United Kingdom-----	157	117	158	384	403	625
Canada-----	496	486	244	521	758	860
West Germany-----	899	1,611	1,519	1,090	1,277	776
Canary Islands-----	153	353	303	322	293	323
Netherlands-----	54	17	34	134	44	105
East Germany-----	194	234	74	214	42	86
All other-----	194	166	227	285	437	306
Total-----	2,147	2,984	2,559	2,950	3,254	3,081
	Value (thousand dollars)					
United Kingdom-----	922	774	902	2,345	2,685	4,641
Canada-----	2,017	2,089	1,053	2,050	2,692	3,181
West Germany-----	1,741	2,709	2,005	1,952	2,230	1,909
Canary Islands-----	308	523	387	667	585	1,002
Netherlands-----	101	23	57	243	87	564
East Germany-----	353	351	81	234	67	155
All other-----	523	521	462	749	1,063	685
Total-----	5,965	6,990	4,947	8,240	9,409	12,137

^{1/} Calendar years.^{2/} Packed weight.

Source: Official statistics of the U.S. Department of Commerce.

Table 5.--Cigar wrapper tobacco, Georgia-Florida: U.S. exports of domestic merchandise, by principal markets, 1960-65 ^{1/}

Market	1960	1961	1962	1963	1964	1965
Quantity (thousand pounds) ^{2/}						
East Germany-----	313	229	873	399	478	256
West Germany-----	484	549	807	848	1,009	227
Canada-----	57	55	52	74	94	137
Austria-----	26	10	52	2	55	58
Netherlands-----	78	294	70	44	41	43
Canary Islands----	26	55	69	62	76	56
Belgium-----	34	14	52	61	48	19
All other-----	127	114	220	166	191	44
Total-----	1,145	1,320	2,195	1,656	1,992	840
Value (thousand dollars)						
East Germany-----	571	313	893	451	605	494
West Germany-----	883	764	969	965	1,368	471
Canada-----	232	217	132	184	223	427
Austria-----	9	14	66	3	89	140
Netherlands-----	175	453	129	61	52	60
Canary Islands----	15	59	73	80	77	42
Belgium-----	58	28	42	57	55	41
All other-----	298	246	377	284	369	108
Total-----	2,241	2,094	2,681	2,085	2,838	1,783

^{1/} Calendar years.^{2/} Packed weight.

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

Table 6.--Cigar wrapper tobacco: U.S. imports for consumption, by principal sources, 1960-65 ^{1/}

Country	1960	1961	1962	1963	1964	1965
	Quantity (1,000 pounds) ^{2/}					
Cameroon-----	-	-	2	35	40	75
Honduras-----	-	-	1	3	47	61
Cuba-----	593	631	532	220	85	31
Nigeria-----	-	-	1	6	23	18
Mexico-----	-	-	-	3	8	14
Indonesia-----	4	3	3	4	10	10
All other-----	3/	4	3	2	15	38
Total-----	597	638	542	273	228	247
	Value (1,000 dollars)					
Cameroon-----	-	-	13	168	214	575
Honduras-----	-	-	2	12	175	247
Cuba-----	2,742	2,849	2,365	1,015	439	183
Nigeria-----	-	-	7	34	121	118
Mexico-----	-	-	-	7	42	76
Indonesia-----	21	13	24	38	96	54
All other-----	1	5	15	9	76	175
Total-----	2,764	2,867	2,426	1,283	1,163	1,428

^{1/} Includes filler tobacco when mixed or packed with over 35 per cent wrapper tobacco.

^{2/} Packed weight.

^{3/} Less than 500 pounds.

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

<u>Commodity</u>	<u>TSUS</u> <u>item</u>
Filler tobacco mixed or packed with over 35 percent wrapper:	
Not stemmed-----	170.20, -.21, -.22, -.23, -.24
Stemmed-----	170.25 -.26, -.27
Other filler tobacco (except cigarette leaf):	
Not stemmed-----	170.40, -.41, -.42, -.43, -.44
Stemmed-----	170.45, -.46, -.47, -.48, -.49
Scrap tobacco-----	170.60, -.61, -.62, -.63, -.64

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

Imports of the tobacco included here provide nearly half the tobacco used in the body or core of U.S. cigars, although the United States is, itself, the world's leading producer of such tobacco. Exports, consisting almost entirely of types not used in the United States as cigar filler, were valued at \$28 million in 1965.

Description and uses

Filler tobacco in U.S. tariff nomenclature is tobacco essentially in leaf form other than wrapper tobacco. This summary relates to all "filler" tobacco except cigarette leaf tobacco. In other words, the filler tobacco here described comprises the types of leaf tobacco (other than wrapper) which are used in the manufacture of tobacco products other than cigarettes. These types include, but are not limited to, tobacco used chiefly in the body or core of cigars; leaf which is used to bind the body or core, thus sealing and shaping the cigar; fire-cured tobacco used primarily in the manufacture of snuff; sun-cured and dark air-cured tobacco used in chewing and pipe-smoking tobacco; and perique, used as a seasoning in some pipe-smoking mixtures.

Scrap tobacco (item 170.60 et seq.) includes non-uniform fragments resulting from mechanically threshing leaf to remove the mid-rib or stem; cigar clippings (the waste of cigar manufacture); and particles of leaf, 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 scrap for tariff purposes (see summary on item 170.80); neither are tobacco stems, which are separately provided for under items 170.50 and 170.55.

The leaf tobacco and scrap covered by this summary are used in the United States chiefly in the body or core of cigars. Tobacco so used determines the flavor or aroma and supplies about 75 percent of the finished weight. Imported cigar filler consists predominantly of tropical or subtropical (formerly Cuban) tobacco. Differences in plant strains, soil, climate, and method of curing account for important differences between continental domestic filler and imported filler. Filler leaf for cigars is air-cured in barns and then fermented in large bulks or piles under high moisture conditions to develop the characteristic smoking quality of cigar tobacco.

Continental U.S. filler, which consists primarily of Pennsylvania Seedleaf and Miami Valley (Ohio) leaf, is relatively mild and requires the addition of tropical or subtropical leaf to provide flavor and bouquet in a cigar. Puerto Rican leaf, which is eligible for U.S. price-support and is not subject to import duties, is aromatic and can be used like other sub-tropical leaf to heighten the taste of a blend. Philippine cigar tobacco, although tropical in origin, does not have this quality and is not used in the same way. It competes directly with continental U.S. filler as a base component in filler blends.

Since the mid-1950's, homogenized tobacco sheet--made by grinding tobacco leaf and stems into fine powder and then moistening with an adherent--has been replacing leaf tobacco as cigar binder. Such tobacco sheet that is not suitable for use as wrapper and is used as cigar binder is dutiable at the same rate as stemmed filler tobacco (item 170.45) by virtue of the similitude provisions of item 798.00 (T.D. 56410(41)). Homogenized tobacco sheet suitable for use as cigar wrapper is dutiable at the same rate as stemmed wrapper tobacco (item 170.15).

U.S. tariff treatment

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

FILLER TOBACCO (EXCEPT CIGARETTE LEAF) AND SCRAP TOBACCO

21

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Filler tobacco when mixed or packed with over 35 percent of wrapper tobacco:	
170.20	Not stemmed-----	90.9¢ per lb.
170.21	If product of Cuba-----	81.9¢ per lb.
	If product of the Philippines:	
	If Philippine articles:	
170.22	Within tariff-rate quota (see headnote 3, pt. 13, schedule 1).	Free
170.23	Other-----	81.9¢ per lb.
170.24	Other-----	90.9¢ per lb.
170.25	Stemmed-----	\$1.548 per lb.
	If product of the Philippines:	
170.26	If Philippine articles within tariff-rate quota (see head- note 3, pt. 13).	Free
170.27	Other-----	\$1.548 per lb.
	Filler tobacco (other than cigarette leaf) not mixed or packed with over 35 percent of wrapper tobacco:	
170.40	Not stemmed-----	16.1¢ per lb.
170.41	If product of Cuba-----	12.6¢ per lb.
	If product of the Philippines:	
	If Philippine articles:	
170.42	Within tariff-rate quota (see headnote 3, pt. 13).	Free
170.43	Other-----	12.6¢ per lb.
170.44	Other-----	16.1¢ per lb.
170.45	Stemmed-----	23¢ per lb.
170.46	If product of Cuba-----	18¢ per lb.
	If product of the Philippines:	
	If Philippine articles:	
170.47	Within tariff-rate quota (see headnote 3, pt. 13).	Free
170.48	Other-----	18¢ per lb.
170.49	Other-----	23¢ per lb.
170.60	Scrap tobacco-----	16.1¢ per lb.
170.61	If product of Cuba-----	12.6¢ per lb.
	If product of the Philippines:	
	If Philippine articles:	
170.62	Within tariff-rate quota (see headnote 3, pt. 13).	Free
170.63	Other-----	12.6¢ per lb.
170.64	Other-----	16.1¢ per lb.

22: FILLER TOBACCO (EXCEPT CIGARETTE LEAF) AND SCRAP TOBACCO

The rates of duty for the tobacco in items 170.20 and 170.25, which are the same as the rates provided for wrapper tobacco under paragraph 601 of the former tariff schedules, and the rates of duty for the tobacco in items 170.40, 170.45, and 170.60, which are the same as the rates provided for filler tobacco and scrap tobacco under paragraphs 601 and 603, respectively, have been in effect since June 29, 1958, and reflect concessions made by the United States under the General Agreement on Tariffs and Trade.

The ad valorem equivalents of the specific duties shown above for the entries in 1965 reported under the items covering filler tobacco and scrap tobacco from countries other than Cuba and the Philippines were as follows:

<u>TSUS item</u>	<u>Percent</u>
170.20-----	17
170.40-----	25
170.45-----	19
170.60-----	28

The ad valorem equivalent for the 1965 entries reported under item 170.20 (only 56,163 pounds, valued at \$307,343) indicates that the average unit value of such imports approximated that of the 1965 imports of unstemmed wrapper tobacco reported under item 170.10 (see preceding summary). Information obtained subsequent to publication of the 1965 statistics revealed that most of the imports reported as filler tobacco under item 170.20 should have been reported as wrapper tobacco under item 170.10. The much larger imports of filler tobacco entered under item 170.40 ranged widely in terms of unit value. For the 1965 imports from the major suppliers, the ad valorem equivalents of the duty ranged from 11 percent (Honduras) to 68 percent (Paraguay). The ad valorem equivalents of the duty on stemmed filler (item 170.45) from major suppliers in 1965 ranged from 15 percent (the Dominican Republic) to 24 percent (Brazil), and on imports of scrap tobacco (item 170.60), from 20 percent (Dominican Republic) to 62 percent (Paraguay). Included also in the 1965 imports of scrap tobacco were particles of oriental tobacco from Turkey on which the duty was equivalent to 165 percent ad valorem.

Imports from Cuba have been embargoed since February 7, 1962, and the preferential rates on such imports were suspended May 24, 1962. The preferential rates still apply, however, to withdrawals from bonded warehouses of Cuban tobacco entered before the embargo. The ad valorem equivalents of the specific duties shown above for the withdrawals of Cuban tobacco in 1965 were as follows:

<u>TSUS item</u>	<u>Percent</u>
170.21-----	14
170.41-----	12
170.46-----	8
170.61-----	15

The tariff treatment for products of the Philippines is in accordance with the trade agreement between the United States and the Philippine Republic. Imports of filler and scrap tobacco which are "Philippine articles" as defined in part c(iv) of general headnote 3, mentioned above, are duty-free within the limits of a diminishing quota and are dutiable on the excess at rates equivalent to the rates for comparable Cuban products. The duty-free annual quotas, which will terminate at the close of December 31, 1973, are as follows:

<u>Calendar years</u>	<u>Million pounds</u>
1963-64-----	5.2
1965-67-----	3.9
1968-70-----	2.6
1971-73-----	1.3

Imports from the Philippines are far in excess of the annual quotas. In 1965 the dutiable imports from the Philippines consisted almost entirely of scrap (item 170.63), on which the ad valorem equivalent of the 12.6-cent-per-pound rate was 41 percent. Imports under items 170.43 and 170.48 were insignificant in 1965. No imports from the Philippines were entered in that year under dutiable items 170.23, -.24, -.27, -.44, -.49, -.64, and because the coverage of those items is nominal, imports are unlikely.

When wrapper and filler tobacco are imported commingled, they are still classified and dutiable as wrapper and filler, respectively. If the ratio of wrapper to the total is 35 percent or less, the higher wrapper rate of duty (e.g., 90.9¢ per pound under item 170.10) is applied to that percentage of the lot determined to be wrapper, and the appropriate lower rate applicable to filler tobacco so mixed or packed is applied to the remainder. If the ratio of wrapper to the total is greater than 35 percent, however, one rate is applied to the entire lot since the rate for filler tobacco so mixed or packed is the same as the rate for the wrapper tobacco. Headnote 2, part 13, schedule 1 of the TSUS specifies that the percentage of wrapper tobacco in a mixture of wrapper and filler is the ratio of the number of leaves of wrapper to the total number of leaves in the bale, box, package, or other shipping unit containing such mixture, and specifies the sampling procedure for determining this ratio.

Sizable amounts of foreign filler tobacco which are landed in a not-stemmed condition are threshed in a bonded warehouse and withdrawn as scrap to avoid duty on the stemming waste which generally amounts to almost 30 percent of the shipped weight.

U.S. consumption

U.S. apparent consumption of all filler tobacco other than cigarette leaf increased from an average of 212 million pounds a year in 1960-62 (crop years beginning October 1 of the years cited) to 235 million pounds in 1964, but declined to 207 million in 1965 (table 1).

Consumption of filler tobacco in the body or core of cigars increased from an average of 142 million pounds a year in 1960-62 to 167 million pounds in 1964. The percent of increase in consumption was considerably less than that in the number of cigars manufactured (which rose from 7.3 billion units to 10.5 billion), because of an increase in the proportion of cigarillos and small cigars in the total. From 1964 to 1965, when the number of cigars produced declined, consumption of cigar filler tobacco dropped to about 146 million pounds. These figures include consumption in Puerto Rico.

U.S. consumption of other filler tobacco (principally fire-cured, dark air-cured, and sun-cured) declined with the consumption of chewing tobacco and snuff. Consumption in 1965 of filler used primarily for cigar binder was less than half of that in 1955. Use of homogenized cigar binder sheet in cigar manufacture, rather than natural leaf, accounted for this change.

U.S. production

Leaf used in the body or core of cigars is air-cured tobacco. It is initially cured in barns in the same manner as the light air-cured burley and Maryland cigarette tobaccos, but unlike these, it is subject to secondary curing in moist condition and undergoes intense fermentation. The curing practices for cigar filler result in a large loss of weight, in a darker color, and in important differences in the chemistry and taste of the leaf. Because of the need for aging in storage, dealers' and manufacturers' stocks generally are equivalent to a 2 years' supply.

The annual production of cigar filler tobacco in 1960-65 ranged from 73 million pounds to 103 million, valued at \$19 million to \$30 million (table 2). Production amounted to 103 million pounds in the crop year beginning October 1, 1962, following the embargo on imports from Cuba. The embargo, however, did not cause an increase in demand for domestic filler, and production declined to 73 million pounds by 1965, an amount 18 percent less than the 1960-61 annual average.

Domestic tobaccos used in the body or core of cigars consist almost entirely of Pennsylvania Seedleaf, Miami Valley (Ohio), and Puerto Rican filler (table 3). Pennsylvania Seedleaf is produced by 4500 growers on 27,000 acres in southern Pennsylvania, chiefly in the counties of Lancaster, Lebanon, and York. Production is generally combined with dairying or raising beef cattle. Without an increase in acreage, the crop increased from 53 million pounds a year in 1960 and 1961 to 60 million in 1962. Because consumption did not increase correspondingly, stocks owned by dealers and manufacturers rose and prices declined. In 1963-65 there were reductions in acreage and the crop averaged 50 million pounds per year, slightly below the average for 1960-61, before the Cuban embargo. The growers of Pennsylvania Seedleaf have never elected to accept marketing quotas and so have not been subject to official acreage limitations under the Federal price-support program for tobacco.

Miami Valley filler is grown in western Ohio, in Butler, Preble, Montgomery, Drake, Warren, Miami, and Shelby counties, where the principal agricultural activities are dairying and raising beef cattle, hogs, poultry, and grain. In 1965, under the price-support program for Miami Valley filler, there were 1,455 grower allotments covering 4,707 acres, but only 3,700 acres were planted. Production amounted to 5.6 million pounds, valued at \$1.5 million, about the same as in the previous year, but nearly a million pounds less than the 1960-62 average. The gap between acreage allotted and planted is chronic due to increasing urbanization in the area and to the small size of some allotments which make raising, curing, and handling of tobacco uneconomical. The average price to growers declined over the period 1963-65 from that of the preceding 3 years, and in 1965 was only 1 cent above the loan level (table 3).

Puerto Rican filler is grown in the hilly interior of the island, the more level areas having been taken over for sugar cane. About 13,000 growers planted 30,000 acres of Puerto Rican filler in 1964, producing a near record 38 million pounds, valued at \$14 million. The average price to growers remained appreciably above the loan level. Because carryover stocks were 11 million pounds larger in 1964 than in the preceding year, acreage was reduced 35 percent in 1965. Nevertheless, growers' average price for 1965 was approximately at the loan level.

Production in the United States of other tobaccos which, if imported, would be classifiable as filler amounted to 91.3 million pounds, valued at \$35.6 million in 1965 (table 4). Production of fire-cured tobacco amounted to 46.2 million pounds, valued at \$19.8 million, and dark air-cured and sun-cured to 20.5 million pounds, valued at \$7.6 million. These types of filler tobacco are grown in Tennessee, Kentucky, and Virginia. Production in Connecticut, Massachusetts, and Wisconsin of the type of filler tobacco used as cigar

binder amounted to 24.3 million pounds, valued at \$7.9 million; production of perique in Louisiana was 259,000 pounds, with a value of \$184,000.

As the result of changes in demand, production of fire-cured, dark air-cured, sun-cured, and cigar binder tobaccos have declined substantially. Production of fire-cured tobacco in recent years has been less than half the volume before World War II and production of dark air-cured, sun-cured, and cigar binder has been 40 percent less than in prewar years. Acreage planted in these tobaccos is significantly below allotments under the price-support program.

U.S. exports

Exports in crop years 1960-65 comprised 29 percent of the market for filler tobacco (other than cigarette leaf) and scrap. The importance of the export market varied considerably for the different types of tobacco. In crop year 1965, exports were 61 percent by weight of the market for fire-cured tobacco, 19 percent for dark air-cured and sun-cured leaf, 10 percent for binder tobacco, and only 2 percent for cigar filler. Exports usually comprise about 75 percent of the market for perique.

In calendar year 1965, total exports of leaf and scrap included in this summary amounted to 58 million pounds, valued at \$28 million. Exports in 1965 to the EEC countries ^{1/}, which took 37 percent of the total quantity and 40 percent of the total value, consisted principally of fire-cured tobacco and scrap. Other important markets were the United Kingdom (fire-cured, dark air-cured, and scrap), Congo (fire-cured and dark air-cured), Switzerland (fire-cured), and Sweden (fire-cured and scrap). Exports under Public Law 480 were small.

U.S. imports

In calendar year 1965, imports of the tobacco considered here totaled 43 million pounds, valued at \$23 million, and consisted chiefly of leaf tobacco used for the core or body of cigars, and of scrap tobacco used for the same purpose. In the three years immediately preceding the embargo on Cuban tobacco (in February 1962) imports supplied between 40 and 43 percent of the annual consumption of filler tobacco in the production of cigars. In 1963 and 1964, when consumption of cigar filler tobacco was higher than in earlier years, imports supplied 47 percent. In 1965 both consumption and imports declined, and the share of imports in the market dropped to 42 percent. The embargo on Cuban tobacco operated only to shift the source to the Dominican Republic, Colombia, Brazil, Indonesia, Paraguay, and Mexico.

^{1/} Belgium, France, Italy, Luxembourg, Netherlands, and West Germany.

Imports from these sources rose from 373,000 pounds (stemmed basis) in the calendar year 1958 to 6.4 million pounds in 1961, and to 29.5 million pounds in 1964, receding to 26.2 million pounds in 1965 as the result of a falloff in cigar manufacture from the 1964 peak. The quantity of Cuban tobacco entering U.S. consumption channels declined from 25-28 million pounds annually in 1958 and 1959 to 21 million pounds in 1961, and to 2 million pounds in 1965.

Imports reported under items 170.20-170.27 as filler tobacco mixed or packed with over 35 percent wrapper are not included in the import statistics on filler tobacco in this summary, but are combined with imports of wrapper tobacco in the summary on item 170.10 et seq. Available records indicate that wrapper tobacco comprised the major proportion of such imports; if properly recorded, the wrapper in such mixtures should have been reported as wrapper, and the filler portion as filler.

Imports from the Philippine Republic, although not substitutable for the diminished imports from Cuba, have increased in recent years. Imports from the Philippine Republic amounted to 10.3 million pounds (stemmed basis) in 1962 and 14.3 million a year in 1964-65, compared to 5.9 to 7.6 million pounds a year in 1956-59.

U.S. imports for consumption in 1965 consisted of unstemmed cigar filler amounting to 2,454,000 pounds, valued at \$1,781,000 (table 6); stemmed filler, 1,867,000 pounds, valued at \$2,414,000 (table 7); and scrap tobacco, 38,949,000 pounds, valued at \$18,992,000 (table 8). Cigar filler imported as scrap comprised over 90 percent of the total in 1965, compared with less than 50 percent 10 years earlier. The need for carefully stemmed long filler has diminished with the shift to cigars using short filler (scrap).

The delivered cost per pound of scrap tobacco from the Philippine Republic in 1965 was somewhat below, and that of other imported scrap tobacco considerably above, the delivered cost of domestic tobacco, as shown in the following tabulation:

Imported:	
Philippine Republic:	
Duty-free-----	\$0.37
Dutiable-----	.49
Dominican Republic-----	.99
Colombia-----	.66
Brazil-----	.75
Cuba <u>1/</u> -----	1.02
Domestic:	
Pennsylvania Seedleaf-----	.52
Miami Valley (Ohio)-----	.52
Puerto Rican-----	.64

1/ Withdrawn from warehouse.

Foreign production and trade

World production of dark air-cured and dark sun-cured tobacco leaf in 1965 was estimated by the U.S. Department of Agriculture at 2.8 billion pounds. The major producers were mainland China, India, France, and the U.S.S.R. Such tobacco is used principally in the countries where grown, chiefly for the production of cigarettes.

World production of tobacco used in the core or body of cigars (included in the above total) declined from approximately 540 million pounds in 1960 to 510 million pounds in 1965 due chiefly to lower production in Cuba. Leading producers in 1965 were (in millions of pounds, farm-sales basis):

<u>Country</u>	<u>Production</u>
United States (including Puerto Rico)-----	1/ 89.6
Brazil-----	79.4
Philippine Republic-----	70.6
Cuba-----	2/ 63.0
Dominican Republic-----	50.0
Indonesia-----	32.0
Colombia-----	31.4

1/ Crop year beginning Oct. 1, 1964.

2/ Estimated.

With the exception of the United States and Colombia, the listed countries exported most of their production. World exports of cigar filler tobacco in 1960-65 ranged from 205 million to 295 million pounds annually, valued at \$78 million to \$95 million. Four-fifths of the exports were destined to five countries, Spain, the United States, West Germany, the Netherlands, and Belgium.

World production in 1965 of fire-cured tobacco, principally for snuff, was estimated at 131 million pounds. The United States was the leading producer, accounting for 35 percent of the total. Other major producers in order of importance were Malawi, Poland, and Italy. Much of world production enters international trade.

Table 1.--Filler tobacco (except cigarette leaf): U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, crop years 1960-65

(Quantity in thousands of pounds, farm-sales weight; value in thousands of dollars)

Year beginning Oct. 1--	Production	Imports ^{1/}	Exports ^{2/}	Consumption ^{3/}	Ratio (percent) of imports to consumption.
Quantity					
1960-----	180,330	62,800	46,900	216,300	29
1961-----	195,982	54,600	55,700	205,000	27
1962-----	207,179	57,200	47,800	214,400	27
1963-----	195,958	72,200	59,100	226,400	32
1964-----	194,942	78,200	63,200	234,700	33
1965-----	164,559	60,800	83,900	207,300	29
Value					
1960-----	62,096	27,000	19,000	^{4/}	^{4/}
1961-----	66,867	23,200	23,300	^{4/}	^{4/}
1962-----	68,118	19,100	17,900	^{4/}	^{4/}
1963-----	63,312	24,300	20,200	^{4/}	^{4/}
1964-----	69,604	25,400	25,900	^{4/}	^{4/}
1965-----	54,432	18,900	29,800	^{4/}	^{4/}

^{1/} Converted to farm-sales weight basis by the staff of the U.S. Tariff Commission; includes scrap.

^{2/} Includes scrap and stems.

^{3/} Disappearance of domestic leaf as reported by the U.S. Department of Agriculture, plus imports.

^{4/} Not available.

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

Table 2.--Cigar filler tobacco: U.S. production, carry-in stocks, foreign trade, and consumption, crop years 1960-65 1/

Item	1960	1961	1962
Acreage-----acres--	63,800	62,600	62,700
Yield per acre-----pounds--	1,360	1,467	1,644
Production-----1,000 pounds--	86,800	91,834	103,055
Farm value per pound-----cents--	29.8	30.4	28.8
Crop value-----1,000 dollars--	25,886	27,914	29,730
Carry-in stocks-----1,000 pounds--	171,000	175,800	184,700
Exports-----do-----	200	200	300
Imports for consumption-----do-----	62,800	54,600	57,200
Consumption-----do-----	144,600	137,400	143,500
	1963	1964	1965
Acreage-----acres--	61,900	61,500	51,700
Yield per acre-----pounds--	1,463	1,457	1,418
Production-----1,000 pounds--	90,586	89,600	73,300
Farm value per pound-----cents--	28.5	31.3	25.7
Crop value-----1,000 dollars--	25,773	28,034	18,873
Carry-in stocks-----1,000 pounds--	198,300	208,700	209,000
Exports-----do-----	700	500	1,800
Imports for consumption-----do-----	72,200	78,200	60,800
Consumption-----do-----	154,700	167,000	145,600

1/ Includes only the three types of filler tobacco used in the core or body of cigars (see table 3) for crop years beginning Oct. 1; crop weight and value on farm-sales basis.

Source: Imports compiled from official statistics of the U.S. Department of Commerce and converted to weights comparable with U.S. farm-sales weight; other data compiled from official statistics of the U.S. Department of Agriculture.

Table 3.--Cigar filler tobacco: U.S. production, carry-in stocks, and apparent consumption, by types, specified crop years 1960 to 1965 ^{1/}

Item	1960	1962	1964	1965
Pennsylvania Seedleaf filler				
Acreage-----acres--	31,000	30,000	27,000	27,000
Yield per acre-----pounds--	1,700	2,000	1,700	1,800
Production-----1,000 pounds--	52,700	60,000	45,900	51,300
Support price per pound-----	2/	2/	2/	2/
Farm value per pound-----cents--	28.0	23.5	27.0	24.0
Crop value-----1,000 dollars--	14,756	14,100	12,393	12,312
Carry-in stocks-----1,000 pounds--	109,700	122,900	138,100	129,400
Consumption-----do-----	47,400	51,700	54,100	54,800
Miami Valley (Ohio) filler				
Acreage-----acres--	4,300	4,200	3,700	3,700
Yield per acre-----pounds--	1,535	1,775	1,555	1,700
Production-----1,000 pounds--	6,600	7,455	5,800	5,600
Support price per pound ^{3/} -----cents--	23.4	23.6	24.7	25.2
Farm value per pound-----do----	28.1	28.2	26.7	26.2
Crop value-----1,000 dollars--	1,855	2,102	1,536	1,467
Carry-in stocks-----1,000 pounds--	17,500	20,200	19,200	17,000
Consumption-----do-----	6,500	6,600	8,000	7,000
Puerto Rican filler				
Acreage-----acres--	28,500	28,500	30,800	21,000
Yield per acre-----pounds--	965	1,249	1,232	790
Production-----1,000 pounds--	27,500	35,600	37,900	16,600
Support price per pound-----cents--	29.7	30.0	30.6	30.9
Farm value per pound-----do----	33.7	38.0	37.2	31.0
Crop value-----1,000 dollars--	9,275	13,528	14,105	5,146
Carry-in stocks-----1,000 pounds--	43,800	41,600	51,400	62,600
Consumption-----do-----	27,900	28,000	26,700	28,000

^{1/} Crop years beginning Oct. 1; weight and value on farm-sales basis.

^{2/} No support. Growers disapproved acreage restrictions.

^{3/} Support price per pound is approximate; derived from official combined loan level of Wisconsin binder and Ohio filler.

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

Table 4.--Filler tobacco other than cigar filler and cigarette leaf:
U.S. production and disposition thereof, crop years 1960-65 1/

Item	1960	1961	1962
Acreage-----acres--	66,700	68,000	67,300
Yield per acre-----pounds--	1,402	1,530	1,546
Production-----1,000 pounds--	93,530	104,082	104,079
Farm value per pound-----cents--	38.7	37.4	36.9
Crop value-----1,000 dollars--	36,196	38,967	38,418
Carry-in stocks-----1,000 pounds--	269,884	256,616	251,225
Exports <u>2/</u> -----do-----	46,663	55,455	47,499
Consumption-----do-----	71,700	67,600	70,900
	1963	1964	1965
Acreage-----acres--	63,400	60,100	57,700
Yield per acre-----pounds--	1,662	1,753	1,582
Production-----1,000 pounds--	105,358	105,342	91,259
Farm value per pound-----cents--	35.6	39.5	39.0
Crop value-----1,000 dollars--	37,512	41,604	35,559
Carry-in stocks-----1,000 pounds--	254,889	255,059	258,101
Exports <u>2/</u> -----do-----	58,441	62,674	83,125
Consumption-----do-----	71,700	67,700	61,700

1/ Includes domestic fire-cured, dark air-cured, sun-cured, perique, and cigar binder tobacco for crop years beginning Oct. 1; weight and value on farm-sales basis; imports, if any, are negligible.

2/ Includes blackfat tobacco processed from the above-mentioned leaf, and unmanufactured leaf, n.s.p.f., which includes scrap and stems.

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

Table 5.--Filler tobacco (except cigarette leaf) and scrap tobacco:
U.S. exports of domestic merchandise, by types, 1963-65

Type of tobacco	1963	1964	1965
	Quantity (1,000 pounds)		
Dark-fired Kentucky and Tennessee-----	14,172	20,849	21,620
Virginia fire-cured and sun-cured-----	5,243	4,560	6,474
Green River dark air-cured-----	582	1,211	623
One-sucker dark air-cured-----	473	642	904
Perique-----	192	192	424
Blackfat-----	4,210	3,658	3,935
Cigar binder, Connecticut Valley-----	738	1,453	1,966
Cigar binder, Wisconsin-----	59	123	555
Cigar filler-----	425	604	731
Scrap <u>1</u> /-----	16,105	15,029	20,914
Total-----	42,199	48,321	58,146
	Value (1,000 dollars)		
Dark-fired Kentucky and Tennessee-----	7,571	10,546	11,354
Virginia fire-cured and sun-cured-----	3,415	3,074	4,536
Green River dark air-cured-----	299	604	385
One-sucker dark air-cured-----	237	304	413
Perique-----	208	197	386
Blackfat-----	3,715	3,195	3,457
Cigar binder, Connecticut Valley-----	640	1,235	1,735
Cigar binder, Wisconsin-----	40	184	629
Cigar filler-----	251	317	425
Scrap <u>1</u> /-----	1,866	3,691	4,713
Total-----	18,242	23,347	28,033

1/ Includes exports of stems (see summary on item 170.50) estimated at about 4,000 thousand pounds, valued at 230 thousand dollars, in 1965.

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

Table 6.--Filler tobacco leaf, unstemmed: U.S. imports
for consumption, by principal sources, 1962-65

Country	1962	1963	1964	1965
	Quantity (1,000 pounds)			
Cuba-----	3,017	1,333	1,474	559
Mexico-----	163	429	576	589
Dominican Republic-----	712	200	418	387
Brazil-----	418	66	313	153
Indonesia-----	15	19	229	68
Honduras-----	4	28	105	133
Colombia-----	648	227	279	86
Philippine Republic-----	100	16	1/	8
All other-----	335	83	126	471
Total-----	5,412	2,401	3,520	2,454
	Value (1,000 dollars)			
Cuba-----	3,680	1,692	1,367	571
Mexico-----	51	143	266	321
Dominican Republic-----	356	109	216	290
Brazil-----	218	46	197	64
Indonesia-----	4	29	187	43
Honduras-----	6	25	135	192
Colombia-----	168	58	98	30
Philippine Republic-----	26	10	2/	2
All other-----	67	34	93	268
Total-----	4,576	2,146	2,559	1,781

1/ Less than 500 pounds.

2/ Less than \$500.

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

Table 7.--Filler tobacco leaf, stemmed: U.S. imports for consumption, by principal sources, 1962-65

Country	1962	1963	1964	1965
Quantity (1,000 pounds)				
Cuba-----	2,929	973	505	176
Brazil-----	68	489	523	439
Dominican Republic-----	-	136	303	417
Mexico-----	1/	135	273	375
Honduras-----	1	15	204	258
Jamaica-----	33	143	90	69
Philippine Republic-----	92	886	355	4
All other-----	7	93	91	129
Total-----	3,130	2,870	2,344	1,867
Value (1,000 dollars)				
Cuba-----	5,130	1,792	992	381
Brazil-----	50	515	484	423
Dominican Republic-----	-	178	418	618
Mexico-----	2	139	288	477
Honduras-----	1	18	246	309
Jamaica-----	43	179	140	104
Philippine Republic-----	46	303	125	1
All other-----	3	76	106	101
Total-----	5,275	3,200	2,799	2,414

1/ Less than 500 pounds.

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

Table 8.--Scrap tobacco: U.S. imports for consumption,
by principal sources, 1962-65

Country	1962	1963	1964	1965
	Quantity (1,000 pounds)			
Philippine Republic-----	10,056	12,906	14,091	14,078
Dominican Republic-----	3,059	5,230	9,309	7,586
Colombia-----	3,333	5,270	8,000	5,451
Brazil-----	287	1,931	3,768	3,575
Cuba-----	6,444	3,251	2,306	1,636
Indonesia-----	583	1,016	2,133	1,281
Turkey-----	904	1,058	972	1,314
All other-----	1,911	2,328	2,327	4,028
Total-----	26,577	32,990	42,906	38,949
	Value (1,000 dollars)			
Philippine Republic-----	3,067	3,977	4,494	4,405
Dominican Republic-----	1,923	3,714	5,874	6,104
Colombia-----	1,330	2,324	3,750	2,619
Brazil-----	154	1,248	2,377	1,807
Cuba-----	3,889	2,054	1,803	1,424
Indonesia-----	361	609	1,239	723
Turkey-----	50	57	56	128
All other-----	516	723	917	1,782
Total-----	11,290	14,706	20,510	18,992

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

<u>Commodity</u>	<u>TSUS</u> <u>item</u>
Cigarette leaf:	
Not stemmed-----	170.30, -.31, -.32
Stemmed-----	170.35, -.36, -.37

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

The United States is the largest producer, consumer, and exporter of cigarette tobaccos. Exports comprise 27 percent of the market for U.S. cigarette leaf; in 1965 they were valued at \$341 million. Imports, which supply 10 percent of U.S. consumption, consist of oriental tobacco, a kind not produced in the United States; in 1965 they were valued at \$105 million.

Description and uses

Cigarette leaf tobacco is filler tobacco (i.e., tobacco essentially in leaf form other than wrapper tobacco) of types used in the manufacture of cigarettes. There are three types of domestic cigarette leaf tobacco, flue-cured, burley, and light air-cured Maryland, and one general type of foreign cigarette leaf, oriental, that are nearly always blended for the production of U.S. cigarettes.

Flue-cured leaf, which comprises more than half the tobacco in U.S. cigarettes, is a tobacco of light body, of fine, oily texture, and of mild and somewhat aromatic taste, and ranging from reddish orange to bright yellow in color. As the name implies, this tobacco is heat-cured in airtight curing barns heated by a system of flues. About 95 percent of flue-cured leaf used in this country is consumed in the form of cigarettes and the remainder as pipe-smoking and chewing tobacco.

Burley, which accounts for nearly 40 percent of the tobacco used in cigarettes, is light and papery, and 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 cigarette manufacture. It is slowly air-cured in freely ventilated barns, with heat used only when needed to maintain humidity in proper balance. About 90 percent of burley used in the United States is consumed in cigarettes; it is also an important

component in pipe tobacco. Chewing tobacco provides a market for the heavier grades, although with the recent need for stronger flavored leaf in filter cigarettes, rising prices of heavier tip grades have restricted their use in chewing tobacco.

Maryland-type tobacco, which represents less than 2 percent of the tobacco in U.S. cigarettes, is similar to burley in appearance and in characteristics. Like burley, it is light air-cured, and predominantly tan to reddish in color. The leaf is thin, dry, and chaffy, neutral in aroma and low in nicotine and sugar. It is valued for its fire-holding capacity and its elasticity. About 70 percent of Maryland-type tobacco used in the United States goes into cigarettes and the remainder is used mostly in blended cigar filler.

Domestic strains of cigarette tobaccos have changed over the years with the need to develop plants bearing a high proportion of light cigarette leaf and having increased resistance to certain plant diseases. For each of the types of cigarette tobaccos, differences in plant strain, together with the effects of different soils, fertilizers, cultivation and curing practices, cause important differences in leaf characteristics.

Oriental tobacco comprises almost the entire remaining 10 percent of the leaf used in U.S. cigarettes. It is sun-cured tobacco, very small in leaf, tan to light yellow in color, distinctive and sweet in aroma, mild in taste, light-weight, low in nicotine and with good burning quality. The chief sources are the Black Sea region of Turkey and the Macedonia-Thrace area of Greece.

Among the other oriental tobaccos contained in cigarette blends is Latakia, a fire-cured leaf from Syria and Cyprus. Its use as a seasoning or flavor element in cigarettes declined for a while but has recently been revived. Small amounts are also used in smoking tobacco.

Cigarette tobacco in the form of fragments and broken pieces resulting from the handling of leaf cigarette tobacco is classified as scrap tobacco under items 170.60, -.64, and is discussed in a separate summary.

Leaf tobacco, the product of two or more countries or dependencies, mixed or packed together, is dutiable under items 170.01 and 170.05 and is covered in the summary for those items.

U.S. tariff treatment

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Cigarette leaf:	
170.30	Not stemmed-----	12.75¢ per lb.
170.31	Philippine article within tariff-rate quota.	Free
170.32	Other Philippine-----	12.75¢ per lb.
170.35	Stemmed-----	50¢ per lb.
170.36	Philippine article within tariff-rate quota.	Free
170.37	Other Philippine-----	50¢ per lb.

Practically all cigarette tobacco imported is dutiable under item 170.30 at the rate of 12.75 cents per pound. This rate of duty, which is the same as the rate applicable to unstemmed cigarette leaf tobacco under paragraph 601 of the former tariff schedules, has been in effect since June 30, 1958, and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The rate of duty applicable to stemmed cigarette leaf tobacco classified under item 170.35 is the same as the rate initially provided for in the Tariff Act of 1930 and is not the subject of any trade-agreement concession. The preferential tariff treatment specified for Philippine products in items 170.31, -.32, -.36, -.37 is in accordance with the trade agreement between the United States and the Philippine Republic, but imports under these items have been negligible.

The duty of 12.75 cents per pound on imports in 1965 under item 170.30 was equivalent to 17 percent ad valorem. On imports from the three leading countries, which supplied 96 percent of the 1965 imports, the ad valorem equivalent ranged from 13 to 19 percent.

A very small proportion of tobacco entered under item 170.30 in 1965 came from Bulgaria and Albania. In accordance with part e of general headnote 3 mentioned above, the current rate of duty on products of these countries is the column 2 rate of 35 cents per pound, which was equivalent to nearly 40 percent ad valorem on the 1965 imports.

U.S. consumption

U.S. consumption of cigarette tobacco in all products increased more than three-fold from 1925 to 1949. In marketing years 1959-63, however, average annual consumption was at the level of 1,444 million pounds (farm-sales weight), only 5 percent greater than that in 1949-53, despite an increase of nearly 30 percent in the number of cigarettes produced. The lag in consumption of cigarette tobacco was caused by a greater use in cigarette manufacture of tobacco sheet

containing stems and scrap, a shift to filter cigarettes with a smaller tobacco column, and a sizable net decline in use of cigarette tobacco in products other than cigarettes. Total consumption of cigarette tobacco was nearly 3 percent higher in 1965/66 than in 1963/64.

Total consumption of flue-cured tobacco was about the same in 1959-63 as in 1949-53; burley consumption was 5 percent larger; and Maryland consumption 30 percent less. Use of imported oriental tobacco was 70 percent larger in 1959-63 than in 1949-53, as the average proportion of oriental tobacco in U.S. cigarettes increased from under 7 to over 10 percent.

U.S. producers

Cigarette tobacco is grown on nearly 500,000 farms in 19 States. A few States produce a large part of the total. North Carolina produces 45 percent, Kentucky about 20 percent, and Virginia, South Carolina, Georgia, and Tennessee, each 6 to 10 percent. In North Carolina and Kentucky, cigarette tobacco is produced on more than one-half of the farms and accounts for nearly 40 percent of farmers' cash income. In Virginia, South Carolina, Georgia, and Tennessee it is produced on one-fifth to two-fifths of the farms, and accounts for 9 to 22 percent of the farmers' cash income. The production consists predominantly of flue-cured tobacco in all the principal States except Kentucky and Tennessee where it consists of burley. The production in Maryland, the only source of Maryland tobacco, is small. The crop is of great economic importance, however, in the five counties (Prince George's, Anne Arundel, Calvert, Charles, and St. Mary's) where it is grown. In three of these counties it provides over 75 percent of farmers' cash income, and in the other two over 50 percent.

Price support

Under existing law, price support is mandatory on all tobacco (other than cigar wrapper) for which the growers accept marketing restrictions. In the period 1943-59 support for flue-cured, burley, and Maryland was given at 90 percent of the parity prices. ^{1/} Legislation (Public Law 86-389) was enacted in 1960 replacing support at 90 percent of parity with support at the level of the 1959 parity prices, adjusted each year beginning in 1961 for the average change

^{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.

in the parity index (index of prices paid by farmers, including interest, taxes, and wage rates) during the 3 most recent calendar years. Under this arrangement the support price for cigarette tobaccos increased about 4 percent during the period 1959-65.

Except for Maryland tobacco in 1959, growers accepted marketing restrictions on cigarette tobacco each year in the period 1955-65. These restrictions on cigarette tobacco, as on other farm crops, consist of acreage allotments to farmers on the basis of their tobacco acreage in a base period. To maximize returns on the restricted acreage, growers have resorted to practices which increase the yield. To discourage such cultural practices that also lower the quality of the crop, legislation (Public Law 89-12) was enacted in April 1965 authorizing poundage as well as acreage restrictions. The Secretary of Agriculture proposed, and growers adopted, acreage and poundage restrictions for the 1965, 1966, and 1967 crops of flue-cured tobacco. The law authorized like action on other tobacco beginning with the 1966 crop. Poundage restrictions in the form of marketing quotas were rejected by the growers of burley, however, and all marketing restrictions on the 1966 crop were rejected by growers of Maryland tobacco.

Price support on tobacco is extended by means of nonrecourse loans made through producer cooperative associations, with financing by the Commodity Credit Corporation (CCC). Under usual conditions the 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. Net gains, if any, are distributed to the producers based on their participation. On occasion, special help in the disposal of accumulated stocks has also been extended through the CCC, in addition to the continuing support of export sales programs under Public Law 480 (see section on exports).

Production and stocks

Cigarette tobacco has comprised 90 percent of all tobacco raised in the United States in recent years. Annual domestic production increased without interruption from 1,770 million pounds in 1960 to 2,161 million pounds in 1963, but declined to 1,684 million pounds in 1965 because of acreage restrictions (table 1). The annual value of production at farm-sales level rose from \$1,090 million in 1960 to \$1,264 million in 1962 and then declined to \$1,102 million in 1965. Recent data on production of all three types of cigarette tobacco are shown in table 2.

U.S. tobacco stocks are always large in relation to consumption and exports because of the need for aging before use. Carry-in stocks averaged about 21 months' supply in 1960-62; they increased to 25 months' supply in 1964, and to 28 months' in 1965. The rise was

accompanied by growing weakness in the prices for flue-cured and burley, and by an increasing proportion of all cigarette tobacco going under loan. To counter this development, acreage was reduced by a fifth in 1965. Production in that year dropped below the level of consumption and exports; the proportion going under loan declined; and prices increased for all three types of cigarette tobacco.

U.S. exports

In the marketing years 1960-65, exports comprised 27 percent of the market for the total domestic output of cigarette tobacco on a farm-sales weight basis, 36 percent of the market for flue-cured, 8 percent for burley, and 30 percent for Maryland tobacco. During this period flue-cured exports declined, burley exports increased substantially, and Maryland exports were practically unchanged.

In calendar years 1960-65, exports of cigarette leaf averaged 442 million pounds (packed weight), valued at \$358 million, annually. Exports of flue-cured, accounting for nine-tenths of the total quantity, averaged 389 million pounds, valued at \$316 million; burley, 42 million pounds, valued at \$34 million; and Maryland, 11 million pounds, valued at \$9 million.

The United Kingdom, the countries of the European Economic Community (EEC), Japan, and Australia are by far the principal foreign markets for flue-cured tobacco (tables 4 and 5). In the period 1960-65, exports to the United Kingdom declined; those to Australia were somewhat on the down side, and those to the EEC and Japan increased. The use of U.S. tobacco in the United Kingdom declined in favor of that from Commonwealth countries, principally Southern Rhodesia, Canada, and India, to which a tariff preference of 21½ cents a pound was granted. The full United Kingdom rate of duty on the major category of tobacco leaf has been equivalent to \$12.23 per pound in recent years, about 14 times the landed value of imported leaf. The United Kingdom raises no tobacco and the duty in large part functions as an internal revenue tax on tobacco products. The use of U.S. tobacco in Australia was affected by mixing regulations which granted a reduction of 15.8 cents a pound in the duty on imported tobacco to be blended with the Australian. The minimum percent of Australian tobacco required in the blend was gradually raised from 6 percent in 1954 to 50 percent in 1965.

Exports to Japan have increased in part because of the cooperative promotion of brands containing U.S. leaf by the U.S. Foreign Agricultural Service, members of the U.S. tobacco export trade, and the Japan Monopoly Corporation.

Exports to the EEC, although they have increased, have increased less than consumption in those countries, as a growing proportion of Rhodesian tobacco has been used. West Germany is the destination of more than one-half of the exports to countries of the group. U.S. exports of flue-cured tobacco to West Germany increased from 55 million pounds annually in 1955-59 to 65 million in 1960-65, as compared with an increase from 10 million pounds to 25 million in the exports to West Germany from Rhodesia-Nyasaland and successor states (Rhodesia, Malawi, and Zambia). Shipments of Rhodesian leaf averaged 50 cents a pound in 1962-64, while the average value of U.S. leaf exported to West Germany was close to 75 cents a pound.

The rate of duty on leaf tobacco imported into West Germany before the EEC was established in 1958 was equivalent to 19.4 cents a pound. According to the Foreign Agricultural Service of the U.S. Department of Agriculture, the ultimate EEC rate on imported tobacco, valued at less than \$1.27 a pound (which includes all cigarette tobacco) will be 28 percent ad valorem but not less than 13.2 cents nor more than 17.2 cents a pound. U.S. tobacco will generally be dutiable at the 17.2-cent rate. Flue-cured tobacco from Rhodesia, Malawi, Zambia, and India, because of its lower value, will be dutiable at the 13.2-cent rate. Oriental tobacco from Greece and Turkey, countries associated with the EEC, will be duty free.

Although maintenance by the United States of its existing share, and perhaps the existing volume, of tobacco sold in the European countries and Australia over a long period is in question, at least a brief, temporary gain in sales by the United States is to be expected from the embargo recently announced by several countries, including the United Kingdom, on imports from Rhodesia.

Before World War II, use of burley tobacco in cigarette blends was confined almost entirely to the United States. Exports in recent years, as shown in tables 6 and 7, have been chiefly to countries of the EEC. They increased from 34 million pounds, valued at \$28 million, in 1960, when they accounted for 8 percent of production, to 45 million pounds, valued at \$34 million, in 1965, when they accounted for 10 percent. Annual exports of Maryland tobacco in 1960-65, chiefly to Switzerland, fluctuated only between 10 million and 12 million pounds (table 8) and had an average value of nearly \$9 million.

U.S. Government programs designed to build export markets for U.S. tobacco and other agricultural products include Government-to-Government arrangements for sale of tobacco for foreign currency under Title I of Public Law 480. The currencies are deposited to the account of the United States in the country purchasing the tobacco, to

be used for paying U.S. expenses there, for U.S. tobacco promotion, or for making long-term economic development loans. Exports are made through commercial channels and U.S. exporters are paid the dollar equivalent of the sales price by the CCC. The program is used predominantly in low-income countries to supply additional tobacco beyond the usual purchases.

Under Title III of Public Law 480, private contractors, with the concurrence of the U.S. Department of Agriculture, may acquire tobacco owned by the CCC or held by cooperatives under support loan for export to specified markets in exchange for goods to be delivered to the Department of Defense, the Agency for International Development, the General Services Administration, or other Government agency. Under Title IV of Public Law 480, sales may be made on the basis of Government-to-Government long-term credit.

In fiscal years 1955-65, export sales of tobacco (nearly all cigarette tobacco) under Government programs totaled 702 million pounds, with a value of \$486 million, and comprised 13 percent of total U.S. tobacco exports in the period. Major recipients included Egypt, the United Kingdom, South Vietnam, Spain, Indonesia, Finland, Italy, France, Pakistan, and Taiwan.

Beginning in 1962, the CCC paid an export sales subsidy on tobacco from 1956 and earlier crops amounting to 20 percent of the export sales price from funds authorized in section 32 of Public Law 320 (74th Congress). In August 1966 an export subsidy of 10 cents per pound was being paid on flue-cured tobacco of the 1960, 1961, and 1962 crops and a subsidy of 5 cents per pound on other tobacco (except Maryland, cigar wrapper, and Pennsylvania seedleaf) from whatever crop year.

U.S. imports

U.S. imports of cigarette tobacco are nearly all oriental types from Turkey, Greece, and Yugoslavia. Annual imports ranged irregularly from 118 million pounds to 138 million in 1960-65, and were valued from \$77 million to \$105 million (table 9). The average proportion of oriental tobacco in U.S. cigarette blends was stable at about 10 percent during this period after a gradual rise from 6 percent in the years immediately following World War II, owing, in part, to price considerations.

The imported leaf is substitutable for the domestic only to a limited degree. Imported oriental cigarette tobacco undergoes no re-drying or stemming. Its small leaf contains practically no stem and is shipped in dry condition. Both the handling and reduction in weight of domestic tobacco in the factory greatly increase its cost to the manufacturer and establish price differentials not apparent when values of unstemmed domestic tobacco at farm-sales level are compared with the foreign values of oriental leaf.

U.S. manufacturers' average annual costs of oriental leaf from Greece, Turkey, and Yugoslavia, landed duty-paid, and of stemmed domestic cigarette leaf, in 1960-65, were as follows (in cents per pound):

Year	Imported oriental			Flue-cured	Domestic burley	Maryland
	Greek	Turkish	Yugoslavian			
1960-----	99	86	87	88	97	89
1961-----	98	81	81	93	100	87
1962-----	93	73	77	87	88	78
1963-----	96	72	75	84	89	60
1964-----	110	79	86	85	91	88
1965-----	116	85	95	94	101	93

At 10 percent, the proportion of oriental leaf used in U.S. cigarettes was almost the same in 1960-65 as in the period before World War II. In absolute amount, however, the quantity used in 1960-65 was nearly 3 times as large as that in the earlier period.

An embargo on U.S. imports from Southern Rhodesia of tobacco and other products, as well as products of other countries made with such Rhodesian products, was proclaimed by the President January 7, 1967, in Executive Order 11322 (32 F.R. 119-20).

World production and trade

World production of cigarette tobaccos increased substantially after World War II with the steady upward trend in cigarette production. Production of flue-cured tobacco increased from 2.0 billion pounds annually in 1947-51 to 3.4 billion in 1960-65, that of oriental and semi-oriental from 0.8 billion to 1.3 billion pounds, and that of burley from 0.6 to 0.8 billion. Production of dark air-cured and light sun-cured types used in cigarettes remained about level, averaging, together, 2.5 billion pounds annually.

Much of the expansion in the production of flue-cured tobacco occurred in the consuming countries themselves, e.g., Japan, mainland China, Brazil, and Australia. The remainder took place in exporting countries except the United States, principally in Rhodesia, India, and Canada. High prices for U.S. leaf, the system of preferential tariff rates for British Empire trade, mixing regulations, and exchange difficulties abroad prevented the United States from sharing in the increase in world exports. The proportion of the United States in world production of flue-cured tobacco declined from 60 percent in 1947-51 to 38 percent in 1960-65.

The share of the United States in the world production of burley declined from 90 percent in 1947-51 to 80 percent in 1960-65. Countries where production expanded were Italy, Spain, Japan, Rhodesia, West Germany, Mexico, and Greece. Much of the expansion took place in the consuming countries themselves. The lag in production in the United States, however, reflects a lag in the growth of U.S. consumption of burley, rather than of exports.

The United States has continued to produce about two-thirds of the world's output of Maryland tobacco in recent years, when the trend of world production and U.S. production has been slightly downward. Other countries growing Maryland tobacco included the Malagasy Republic, Italy, Hungary, and Cameroon.

Table 1.--Cigarette tobacco: U.S. production, carry-in stocks, foreign trade, and consumption of domestic tobacco, 1960-65 ^{1/}

Item	1960	1961	1962
Acreage-----acres--	1,025,000	1,057,400	1,109,400
Yield per acre-----pounds--	1,727	1,775	1,914
Production-----1,000 pounds--	1,770,036	1,877,026	2,123,892
Farm value per pound-----cents--	61.6	64.9	59.5
Crop value-----1,000 dollars--	1,089,574	1,218,353	1,264,220
Carry-in stocks-----1,000 pounds--	3,368,408	3,287,513	3,294,660
Exports-----do-----	527,971	542,532	495,580
Imports for consumption--do-----	118,827	125,680	127,492
Consumption of domestic tobacco-----do-----	1,322,960	1,327,347	1,327,461
	1963	1964	1965
Acreage-----acres--	1,067,500	973,170	873,400
Yield per acre-----pounds--	2,024	2,106	1,928
Production-----1,000 pounds--	2,161,108	2,049,328	1,683,500
Farm value per pound-----cents--	58.2	59.1	65.4
Crop value-----1,000 dollars--	1,256,690	1,211,705	1,101,597
Carry-in stocks-----1,000 pounds--	3,595,511	3,888,105	4,069,995
Exports-----do-----	568,271	509,294	483,000
Imports for consumption--do-----	128,988	118,783	138,189
Consumption of domestic tobacco-----do-----	1,300,243	1,358,144	1,336,500

^{1/} Import data are on packed-weight basis for calendar years. Other data are on farm-sales basis for crop years: flue-cured, years beginning July 1; and burley and Maryland, years beginning Oct. 1.

Source: Imports compiled from official statistics of the U.S. Department of Commerce; other data compiled from official statistics of the U.S. Department of Agriculture.

Table 2.--Cigarette tobacco: U.S. production, carry-in stocks, exports and consumption of domestic tobacco, by types, specified crop years 1960 to 1965

Item	1960	1962	1964	1965
Flue-cured ^{1/}				
Acreage-----acres--:	691,800	729,800	627,570	562,700
Yield per acre-----pounds--:	1,808	1,930	2,211	1,882
Production-----1,000 pounds--:	1,250,635	1,408,448	1,387,804	1,059,000
Support price per pound---cents--:	55.5	56.1	57.2	57.7
Farm value per pound-----do--:	60.4	60.1	58.5	64.6
Crop value-----1,000 dollars--:	755,943	846,123	811,865	684,114
Carry-in stocks----1,000 pounds--:	2,106,070	2,081,062	2,386,378	2,555,353
Exports-----do-----:	474,630	430,940	444,063	415,000
Consumption of domestic tobacco-----do-----:	791,929	777,000	774,766	765,000
Burley ^{2/}				
Acreage-----acres--:	295,700	338,600	306,600	277,200
Yield per acre-----pounds--:	1,639	1,993	2,022	2,114
Production-----1,000 pounds--:	484,713	674,854	619,794	586,000
Support price per pound---cents--:	57.2	57.8	58.9	59.5
Farm value per pound-----do--:	64.3	58.6	60.3	66.9
Crop value-----1,000 dollars--:	311,500	395,448	373,759	392,034
Carry-in stocks----1,000 pounds--:	1,191,429	1,137,419	1,412,168	1,415,710
Exports-----do-----:	41,327	53,461	55,654	56,000
Consumption of domestic tobacco-----do-----:	507,478	530,916	560,598	550,000
Maryland ^{2/}				
Acreage-----acres--:	37,500	41,000	39,000	33,500
Yield per acre-----pounds--:	925	990	1,070	1,149
Production-----1,000 pounds--:	34,688	40,590	41,730	38,500
Support price per pound---cents--:	50.8	51.3	52.3	52.8
Farm value per pound-----do--:	63.8	55.8	62.5	66.1
Crop value-----1,000 dollars--:	22,131	22,649	26,081	25,449
Carry-in stocks----1,000 pounds--:	70,909	76,179	89,559	98,932
Exports-----do-----:	12,014	11,179	9,577	12,000
Consumption of domestic tobacco-----do-----:	23,553	19,545	22,750	21,500

^{1/} Crop years beginning July 1. Weight and value are on farm-sales basis.

^{2/} Crop years beginning Oct. 1. Weight and value are on farm-sales basis.

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

Table 3.--Estimated utilization of flue-cured, Maryland, burley, and oriental tobaccos in the United States, 1959-64 ^{1/}

(In millions of pounds)

Type	1959	1960	1961	1962	1963	1964
Flue-cured:						
Cigarettes-----	728	753	743	738	725	733
Smoking, chewing-----	38	39	39	39	43	42
Burley:						
Cigarettes-----	441	450	467	474	453	495
Smoking, chewing-----	58	58	58	57	61	66
Maryland:						
Cigarettes-----	15	18	15	13	12	16
Cigars-----	5	6	6	6	6	7
Oriental-----	129	136	141	141	137	146
Total-----	1,414	1,460	1,469	1,468	1,437	1,505

^{1/} Marketing years, varying by types of tobacco.

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

CIGARETTE LEAF

Table 4.--Cigarette tobacco, flue-cured, unstemmed: U.S. exports of domestic merchandise, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
EEC countries-----	99,487	100,796	112,976	113,754	112,417	105,320
Japan-----	18,173	24,401	24,071	28,708	29,200	35,676
United Kingdom----	152,296	128,785	63,192	75,603	57,079	18,230
Australia-----	17,960	11,267	21,064	16,982	13,213	17,894
Ireland-----	12,233	11,916	17,354	9,851	9,307	6,750
Denmark-----	8,845	10,093	5,559	3,868	3,645	5,137
Norway-----	5,465	4,502	5,589	4,411	4,020	3,662
All other-----	62,513	79,105	79,043	79,511	80,511	75,696
Total-----	376,972	370,865	328,848	332,688	309,392	268,365
Value (1,000 dollars)						
EEC countries-----	63,040	67,325	79,330	78,690	78,045	75,133
Japan-----	17,305	23,278	22,103	27,055	30,247	33,885
United Kingdom----	125,110	108,999	54,336	64,187	48,264	16,285
Australia-----	14,878	9,460	18,470	15,031	11,484	15,730
Ireland-----	9,922	10,168	14,948	8,340	8,340	5,958
Denmark-----	6,279	7,267	4,145	2,782	2,664	4,130
Norway-----	4,033	3,118	4,204	3,210	2,946	2,760
All other-----	44,744	57,807	58,141	57,428	55,567	54,767
Total-----	285,311	287,422	255,677	256,723	237,557	208,648

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

Table 5.--Cigarette tobacco, flue-cured, stemmed: U.S. exports of domestic merchandise, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
United Kingdom---	17,488	17,566	26,848	50,697	58,322	63,147
Denmark-----	989	1,917	5,056	6,152	5,887	6,232
Ireland-----	637	1,539	3,842	3,920	1,409	3,043
Sweden-----	6,190	7,250	5,179	5,340	9,571	1,953
All other-----	5,559	3,512	5,626	4,640	7,020	7,856
Total-----	30,863	31,784	46,551	70,749	82,209	82,231
Value (1,000 dollars)						
United Kingdom---	17,355	18,052	27,712	53,408	62,525	69,809
Denmark-----	992	1,897	5,107	6,353	6,025	6,731
Ireland-----	645	1,597	3,755	4,234	1,541	3,417
Sweden-----	5,928	6,962	5,294	5,476	10,188	1,758
All other-----	4,606	3,584	6,196	4,977	7,583	8,127
Total-----	29,526	32,092	48,064	74,448	87,862	89,842

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

Table 6.--Cigarette tobacco, burley, unstemmed: U.S. exports of domestic merchandise, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
EEC countries----	14,147	16,326	17,416	18,390	18,835	19,918
Mexico-----	2,007	2,689	3,354	3,570	4,374	3,731
Portugal-----	1,532	2,654	2,027	4,441	3,127	2,655
All other-----	12,464	11,714	13,566	14,676	16,015	15,884
Total-----	30,150	33,383	36,363	41,077	42,351	42,188
Value (1,000 dollars)						
EEC countries----	11,115	12,991	14,292	13,732	13,494	14,431
Mexico-----	1,847	2,495	3,175	3,288	4,007	3,312
Portugal-----	866	1,579	1,459	2,369	1,731	1,469
All other-----	10,106	9,371	11,665	11,911	11,045	11,366
Total-----	23,934	26,436	30,591	31,300	30,277	30,578

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

Table 7.--Cigarette tobacco, burley, stemmed: U.S. exports of domestic merchandise, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
	Quantity (1,000 pounds)					
Denmark-----	724	777	1,046	1,124	1,006	922
Chile-----	197	430	557	447	902	831
Trinidad-----	337	281	279	231	241	141
Sweden-----	594	847	1,206	686	6,400	1/
All other-----	1,565	859	669	932	1,985	1,213
Total-----	3,417	3,194	3,757	3,420	10,534	3,107
	Value (1,000 dollars)					
Denmark-----	903	953	1,222	1,461	1,219	1,188
Chile-----	251	572	776	618	1,205	1,114
Trinidad-----	442	369	380	315	323	188
Sweden-----	558	879	1,370	796	7,518	1/
All other-----	1,581	868	808	892	1,646	1,247
Total-----	3,735	3,641	4,556	4,082	11,911	3,737

1/ Data not available; included in "All other."

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

Table 8.--Cigarette tobacco, Maryland: U.S. exports of domestic merchandise, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Switzerland-----	6,163	7,362	6,756	5,799	6,897	5,912
EEC countries----	3,136	2,473	2,640	2,717	3,286	2,466
Portugal-----	1,310	1,015	1,102	1,133	1,131	441
All other-----	803	567	431	1,095	1,006	1,297
Total-----	11,412	11,417	10,929	10,744	12,320	10,116
Value (1,000 dollars)						
Switzerland-----	5,415	6,557	6,098	5,160	6,467	5,341
EEC countries----	1,952	1,561	1,659	1,752	2,141	1,652
Portugal-----	657	512	557	531	520	220
All other-----	466	393	313	541	503	717
Total-----	8,490	9,023	8,627	7,984	9,631	7,930

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

Table 9.--Cigarette tobacco, unstemmed: U.S. imports for consumption, by principal sources, 1960-65

Source	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Turkey-----	74,270	78,651	82,443	84,505	72,267	83,555
Greece-----	32,310	34,354	32,094	28,842	30,935	36,037
Yugoslavia--	5,482	6,433	7,327	9,589	10,219	12,862
Lebanon-----	1,980	1,531	1,800	2,123	1,758	1,712
Italy-----	1,948	1,664	1,386	1,728	1,583	1,361
Rhodesia-						
Malawi-						
Zambia <u>1</u> /-	370	701	532	641	829	<u>2</u> / 1,184
Cyprus-----	-	-	586	647	752	792
Syria-----	722	901	614	372	364	203
All other---	1,637	1,445	394	541	76	483
Total---	118,719	125,680	127,176	128,988	118,783	<u>2</u> / 138,189
Value (1,000 dollars)						
Turkey-----	50,214	49,225	45,530	46,007	43,984	56,106
Greece-----	26,236	27,477	24,180	22,435	28,519	35,204
Yugoslavia--	3,805	4,100	4,303	5,520	6,995	9,998
Lebanon-----	1,385	966	1,098	1,363	1,058	1,214
Italy-----	1,357	1,159	988	1,168	1,127	1,023
Rhodesia-						
Malawi-						
Zambia <u>1</u> /-	288	501	355	419	480	<u>2</u> / 762
Cyprus-----	-	-	285	304	363	460
Syria-----	219	251	181	125	116	66
All other---	876	789	183	289	45	332
Total---	84,380	84,468	77,103	77,630	82,687	<u>2</u> / 105,165

1/ The successor states of Rhodesia-Nyasaland.

2/ Imports in 1965 from Zambia, Rhodesia, and Malawi which were recorded in official statistics under item 170.01, leaf tobacco the product of two or more countries, mixed or packed together (487,386 pounds, valued at \$365,540), were subsequently classified by the Bureau of Customs as unstemmed cigarette leaf, under item 170.30, and are included here.

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

CIGARETTE LEAF

Table 10.--Selected types of cigarette tobacco: World production, by principal sources, 1962-65

(In thousands of pounds)				
Country	1962	1963	1964	1965
Flue-cured tobacco				
United States-----	1,408,448	1,371,462	1,387,804	1,059,000
Mainland China-----	450,000	577,600	716,500	727,500
Japan-----	190,885	193,035	297,233	276,962
Rhodesia-Malawi-				
Zambia <u>1/</u> -----	234,354	198,426	327,030	249,148
Brazil-----	93,303	158,747	103,030	199,957
India-----	170,000	185,920	224,870	190,000
Canada-----	187,621	186,648	143,197	167,850
Italy-----	19,879	22,740	25,159	25,353
All other-----	466,637	481,323	572,152	587,532
Total-----	3,221,127	3,375,901	3,796,975	3,483,302
Burley tobacco				
United States-----	674,854	755,146	619,794	586,000
Italy-----	17,679	32,818	33,825	34,171
Spain-----	39,758	35,417	33,228	33,000
Japan-----	16,261	23,649	28,411	28,373
Rhodesia-Malawi-				
Zambia <u>1/</u> -----	5,655	8,895	10,982	15,756
Mexico-----	12,112	16,018	13,228	12,125
West Germany-----	7,595	10,821	9,381	9,400
Greece-----	1,213	3,638	7,937	9,400
Canada-----	8,918	8,808	5,614	4,500
All other-----	33,950	39,395	54,076	61,418
Total-----	817,995	934,605	816,476	794,143
Oriental and semi-oriental tobacco				
Bulgaria-----	211,642	214,360	<u>2/</u> 360,000	<u>2/</u> 360,000
U.S.S.R.-----	211,500	264,860	400,056	331,917
Turkey-----	191,987	290,770	384,711	262,500
Greece-----	205,253	279,984	291,007	244,711
Yugoslavia-----	56,879	105,821	128,570	110,825
Italy-----	29,416	44,866	58,497	57,384
All other-----	147,242	189,107	178,666	181,290
Total-----	1,053,919	1,389,768	1,801,507	1,548,627

1/ The successor states of Rhodesia-Nyasaland. 2/ Estimated.

Source: Compiled from official statistics of the U.S. Foreign Agricultural Service.

<u>Commodity</u>	<u>TSUS</u> <u>item</u>
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Tobacco stems:

Not cut, ground, or pulverized-----	170.50
Cut, ground, or pulverized-----	170.55

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

U.S. foreign trade in tobacco stems, which is negligible relative to production, is on an export basis. Exports in 1965 were estimated at 4 million pounds, valued at \$230,000.

Comment

Tobacco stems, the midribs of tobacco leaves, are byproducts of the stripping or stemming of tobacco used in production of cigars, cigarettes, and other tobacco products. Stems of fire-cured tobacco are ground for use in snuff. Stems of cigar tobaccos and of some cigarette tobaccos are reduced to a powder and used to a limited extent as components in homogenized tobacco sheet for cigar binder and cigarillo wrapper. Ground stems of burley, flue-cured, and Maryland tobaccos are components of tobacco sheet that is shredded and used to a limited degree in cigarettes.

Stems of the heavier and darker fire-cured and dark air-cured tobaccos are used for extraction of nicotine. When finely ground, tobacco stems are also used in mixed fertilizers to give the mixture easy-flowing properties and as a source of organic potash.

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
Tobacco stems:		
170.50	Not cut, ground, or pulverized-----	Free
170.55	Cut, ground, or pulverized-----	55¢ per lb.

Duty-free treatment for tobacco stems, not cut, ground, or pulverized, which was also provided for under paragraph 1787 of the former tariff schedules, has been bound in a concession granted by

the United States in the General Agreement on Tariffs and Trade, effective January 1, 1948. The rate of 55 cents per pound on stems, cut, ground, or pulverized is the same as the rate initially provided for in the Tariff Act of 1930 under paragraph 604 and is not subject to any trade-agreement concession. There have been no imports of stems in this form because stems which have not been cut, ground, or pulverized are free of duty and the cost of processing is only a fraction of the duty on stems imported in processed form.

Exports of tobacco stems have been destined principally to the United Kingdom and Sweden in recent years. In 1957, the last year in which they were separately reported, exports amounted to 1.8 million pounds, valued at \$166,371. They are estimated to have amounted to 4 million pounds, valued at \$230,000 in 1965.

Imports for consumption of stems not cut, ground, or pulverized since 1960 have ranged from 300,000 to 1 million pounds, valued at \$12,000 to \$30,000 a year, as shown below:

Country	1961	1962	1963	1964	1965
	Quantity (pounds)				
Colombia-----	-	8,507	17,500	343,037	164,665
France-----	-	-	6,614	-	31,224
Ireland-----	-	-	79,036	162,269	164,629
Dominican Republic--	-	-	21,001	274,311	318,003
Brazil-----	-	-	-	45,396	58,199
United Kingdom-----	376,452	284,434	142,140	81,383	32,728
Cuba-----	33,700	133,095	14,317	10,231	18,540
Other-----	150	45,021	18,242	50,169	64,000
Total-----	410,302	471,057	298,850	966,796	851,988
	Value				
Colombia-----	-	\$19	\$145	\$6,495	\$7,609
France-----	-	-	1,163	-	7,224
Ireland-----	-	-	3,162	6,490	6,585
Dominican Republic--	-	-	630	5,279	6,402
Brazil-----	-	-	-	908	2,597
United Kingdom-----	\$15,058	11,376	5,686	3,255	1,309
Cuba-----	1,077	351	430	205	371
Other-----	135	343	730	112	143
Total-----	16,270	12,089	11,946	22,744	32,240

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

Increased entries from Colombia, the Dominican Republic, and Brazil since the embargo on imports from Cuba in February 1962 have resulted from conversion of unstemmed filler to scrap tobacco in U.S. bonded manufacturing warehouses.

<u>Commodity</u>	<u>TSUS item</u>
Cigarettes-----	170.65

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

The United States is the largest producer and exporter of cigarettes. Imports are negligible and consist mostly of specialty types containing tobacco blends not available in domestic cigarettes.

Description and uses

Most cigarettes produced in the United States are made of a blend of flue-cured, burley, Maryland, and oriental-type tobaccos, sweetened and modified by special flavoring compounds. Although the various brands of cigarettes differ in the proportions of their tobacco components, flue-cured tobacco accounts for 50 to 60 percent of the cigarette tobacco used; burley accounts for 30 to 35 percent, Maryland-type, for 1 to 3 percent; and oriental, 7 to 10 percent. There has been a trend toward the greater use of oriental tobacco in domestic cigarettes in recent years. U.S. consumers have a strong preference for American-type cigarettes, based upon acquired taste and continuous brand advertising.

The American blended cigarette differs materially from the types predominating in other countries. The principal foreign types are (1) English cigarettes, composed entirely of flue-cured tobacco, favored in the British Commonwealth; (2) dark cigarettes, made of dark air-cured cigar-type leaf, the type comprising most cigarettes manufactured in Spain, France, Cuba, and some other European and Latin American countries; (3) Turkish cigarettes, containing oriental and semioriental leaf, sold principally in Balkan and Near East countries; and (4) Maryland cigarettes, the type favored in Switzerland, which are composed almost entirely of Maryland-type tobacco.

According to a Customs Bureau decision of September 21, 1964 (T.D. 56462(28)), cigarettes containing therapeutic agents for the purpose of soothing the upper respiratory tract are not classifiable as cigarettes (item 170.65) but as drugs (item 439.50); and cigarettes containing tobacco substitutes but no therapeutic agents are dutiable, by virtue of the similitude provision of item 798.00, at the same rate applicable to cigarettes (item 170.65). Therapeutic cigarettes and cigarettes containing tobacco substitutes are currently minor articles of commerce.

U.S. tariff treatment

The current column 1 rate of duty applicable to imports (see general headnote 3 in appendix A) is as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
170.65	Cigarettes-----	\$1.06 per lb. + 5% ad val.

For duty purposes the weight is that of the cigarettes alone exclusive of the package. For products of the Philippine Republic the current rate of duty is (as indicated in part c of general headnote 3 mentioned above) 40 percent of the column 1 rate, \$0.424 per pound plus 2 percent ad valorem.

The current column 1 rate, which is the same as the rate provided for cigarettes in paragraph 605 of the former tariff schedules, has been in effect since June 30, 1958, and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. This duty was equivalent to 53.4 percent ad valorem on the 1965 imports from all countries to which it was applicable. Because of differences in the foreign values and weights of cigarettes, the ad valorem equivalents of the duty varied significantly by country of origin, ranging from 94 percent for imports from France to 31 percent for imports from Turkey. On imports from the Philippine Republic the current Philippine rate was equivalent to 76 percent ad valorem.

Cigarettes, whether produced domestically or imported, are subject to a Federal tax. On cigarettes weighing not more than 3 pounds per 1,000, the internal revenue tax is \$4.00 per 1,000, or 8 cents per pack of 20 cigarettes. All cigarettes, with the exception of an extremely small fraction, come within this weight class. On cigarettes weighing more than 3 pounds per 1,000, the internal revenue tax is \$8.40 per 1,000; except that if more than 6½ inches in length, they are taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per 1,000, counting each 2-¾ inches, or fraction thereof, of the length of each cigarette as one cigarette. As of September 1, 1966, all States and the District of Columbia, with the exception of North Carolina, levied sales taxes of varying amounts on cigarettes. Some cities also levy sales taxes on cigarettes.

U.S. consumption

Over 80 percent of U.S. tobacco consumption is in the form of cigarettes. Sales have continued to increase despite setbacks in 1953, 1954, and 1964 caused by publicity on the adverse effect of cigarette

January 1967

1:11

smoking on health. Between 1950 and 1963, annual cigarette consumption in the United States increased 41 percent, from 360.2 billion to 509.6 billion cigarettes. Consumption dropped to 497.4 billion in 1964, but more than recovered the following year, reaching 511 billion cigarettes. Consumer expenditures for cigarettes (including all taxes) rose from \$3.6 billion in 1950 to \$7.6 billion in 1965, while annual per capita consumption, based on U.S. population 18 years or older, increased in number of cigarettes from 3,522 to 4,262.

The health issue will be an important factor in the future and may handicap continued expansion of cigarette sales. The "Federal Cigarette Labeling and Advertising Act" (Public Law 89-92) became effective on January 1, 1966. Under its terms cigarette packages must bear the statement: "Caution: Cigarette smoking may be hazardous to your health." The law provides that no other statement relating to smoking and health shall be required on any cigarette package, and that no statement relating to smoking and health shall be required in cigarette advertising; the latter provision extends only to July 1, 1969. The law also provides for periodic reports to the Congress by the Secretary of Health, Education, and Welfare concerning current information on health consequences of smoking, and by the Federal Trade Commission concerning the effectiveness of cigarette labeling and current practices and methods of cigarette advertising and promotion. In addition, the reports are to contain such recommendations for legislation as the Secretary of Health, Education, and Welfare and the Federal Trade Commission may deem appropriate.

U.S. producers

In 1964, nine companies manufactured cigarettes in the United States. Production of six of the companies accounted for 90 percent of U.S. output. Plants in North Carolina accounted for 60 percent; plants in Virginia, 21 percent; and plants in Kentucky accounted for 17 percent of the total. Production in New York, Pennsylvania, Connecticut, West Virginia, and New Jersey was minor.

Cigarette manufacture predominated in operations of the six major companies, although associated with manufacture of smoking tobacco and cigars. Some of these companies have recently diversified into product lines such as candy, safety razors, packaging materials, shaving cream, fruit juices, alcoholic beverages, and pet foods through acquisition of established firms and brands, but cigarette manufacturing has continued to be their major activity.

U.S. production

The United States is the leading producer of cigarettes. In recent years production has shown a strong upward trend, increasing from 506.9 billion cigarettes in 1960 to 550.6 billion in 1963. Because of the renewal of publicity on the adverse health effects of cigarette smoking, sales in 1964 decreased and production declined to 540.9 billion. In 1965, however, sales recovered and production rose to a record 557.6 billion cigarettes (table 1).

According to the Census of Manufactures, the value of U.S. cigarette output in 1963 at the manufacturers' sales level was \$2,568 million (exclusive of excise taxes); employment in the cigarette industry, 35,568 persons; and total payroll in that year, \$183 million.

The domestic cigarette industry is the chief customer of U.S. tobacco growers and a major source of farm cash income in such States as North Carolina, Virginia, Kentucky, Tennessee, and Maryland. Cigarette manufacture accounted for 93 percent of domestic use of flue-cured tobacco in 1964, 83 percent of burley, and 80 percent of Maryland tobacco.

Despite substantial increases in cigarette production since 1950 the quantity of domestic tobacco used annually by the cigarette industry has risen only slightly. In 1950, approximately 1,062 million pounds of tobacco (unstemmed processing weight) was used in U.S. cigarette manufacture, of which 998 million pounds was domestic and 64 million imported oriental tobaccos, chiefly from Greece and Turkey. In 1964, 1,178 million pounds was used, 1,059 million domestic, and 119 million oriental. Annual use of domestic cigarette tobacco increased only 6 percent in this 15-year period although U.S. cigarette production increased 38 percent. Annual use of imported oriental tobaccos increased 86 percent.

Technical and product changes restraining consumption of domestic cigarette tobacco in domestic cigarette manufacture included increased sales of filter cigarettes with a smaller tobacco column; the use of homogenized tobacco sheet, allowing utilization of stems and scrap in greater amounts; and an increased use of oriental tobacco from 6 percent of the total cigarette tobacco used in 1950 to 10 percent in 1964.

U.S. exports

The export market for U.S. cigarettes averages slightly less than 5 percent of production annually, and in recent years has ranged between 22 and 25 billion cigarettes, valued between \$97 million and \$115 million. The United States is presently the largest exporter, slightly in advance of the United Kingdom, which is now second in importance in cigarette trade.

In 1965, U.S. exports were shipped to 128 countries and dependencies, 36 percent to Europe and 24 percent to North and South America (including the islands of the Caribbean). The remaining shipments were widely distributed in Asia, Africa, the Near East, and Oceania.

The chief European markets were Spain, France, Italy, West Germany, Belgium, and the Netherlands. In the Western Hemisphere, the Netherlands Antilles, Paraguay, Ecuador, Panama, Peru, Canada, and Uruguay were the most important markets. In Africa and the Near East, Kuwait, Lebanon, Israel, Liberia, and Morocco were major recipients. Hong Kong, Malaysia, Australia, and Japan were the principal markets in the Far East. (table 2).

Although demand for U.S. cigarettes is very strong among the populations of foreign countries, high tariffs and other trade barriers continue to exercise a limiting influence on exports. In countries where balance-of-payments considerations have led to the adoption of restrictive trade policies, foreign cigarettes are usually treated as a luxury item and imports severely restricted. Where tobacco trade is conducted under government monopoly, consumption of foreign cigarettes has been minimized, either by limiting the supply of foreign cigarettes or by maintaining significant price differentials between domestic and foreign brands. Government tobacco monopolies generally foster consumption of tobacco products made predominantly of domestic tobaccos.

In developing countries there is an increasing tendency to foster and protect domestic cigarette industries as part of industrialization programs, a trend which is encouraged by the fact that it is cheaper to import tobacco needed to manufacture cigarettes than to import the cigarettes. Moreover, a domestic cigarette industry provides a market for the tobacco grown locally.

To overcome these trade barriers, U.S. cigarette companies have, to an increasing extent, allied themselves with manufacturers already established within the countries concerned, either through ownership participation, or through brand licensing. Where possible, blended tobacco from the United States is used in making the particular U.S. brands. Where domestic regulations require a minimum proportion of domestic tobacco in the cigarette blend, this practice is not feasible.

U.S. imports

Annual U.S. imports of cigarettes ranged between 9 and 13 million cigarettes in the period 1960-65, with a foreign value between \$46,000 and \$66,000 (table 3). These imports were insignificant compared to domestic production as well as to exports.

In 1965, cigarettes were imported from 10 countries, including the United Kingdom, France, Canada, West Germany, Turkey, the Republic of the Philippines, and Egypt. The imports consisted mostly of specialty types such as the cigarettes containing only flue-cured tobacco (from the United Kingdom), cigarettes containing only oriental tobaccos (from the eastern Mediterranean areas), and cigarettes made of dark cigar-type tobaccos (from Latin America and Europe).

International trade

World production of cigarettes exceeded 2.5 trillion units in 1964 according to U.S. Department of Agriculture estimates. The United States led with 540 billion; the Soviet Union with 270 billion, Japan with 161 billion, United Kingdom with 125 billion, Brazil with 77 billion, and West Germany, France, and Italy with 64 billion, 49 billion, and 59 billion, respectively, were among the world's principal cigarette producers, as was mainland China for which production data are not available. The ranking exporters were the United States, the United Kingdom, Switzerland, Belgium-Luxembourg, West Germany, and France, and the major importing countries were the Netherlands, France, Italy, Spain, and Japan.

CIGARETTES

67

Table 1.--Cigarettes: U.S. production, imports for consumption, exports of domestic merchandise, and consumption, 1960-65

Year	Production	Imports	Exports	Apparent consumption ^{1/}
Quantity (1,000 cigarettes)				
1960-----	506,944,233	10,838	20,230,387	470,135,454
1961-----	528,332,424	11,051	22,336,662	488,119,182
1962-----	535,495,698	13,541	24,079,879	494,462,881
1963-----	550,558,271	9,769	23,614,703	509,588,018
1964-----	540,906,845	10,108	25,144,170	497,446,916
1965-----	557,602,021	8,509	23,051,945	511,464,349
Value (1,000 dollars)				
1960-----	2,314,399	61	87,463	<u>2/</u>
1961-----	2,410,378	60	97,262	<u>2/</u>
1962-----	2,460,513	66	106,286	<u>2/</u>
1963-----	2,568,222	53	106,543	<u>2/</u>
1964-----	2,526,035	53	114,595	<u>2/</u>
1965-----	2,604,000	46	105,297	<u>2/</u>

^{1/} Tax-paid withdrawals.^{2/} Unavailable.

Source: Production compiled from official statistics of the U.S. Internal Revenue Service; value of production compiled from the U.S. Census of Manufactures; imports and exports compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Cigarettes: U.S. exports of domestic merchandise, by principal markets, 1961-65

Market	1961	1962	1963	1964	1965
Quantity (1,000 cigarettes)					
Hong Kong-----	1,651,396	1,685,500	2,109,382	2,560,965	2,648,053
Spain-----	467,083	1,093,582	888,841	2,252,360	1,823,554
Netherlands					
Antilles----	785,713	1,153,103	1,120,060	1,135,003	1,291,679
Malaysia 1/----	1,353,550	1,357,459	1,646,594	1,117,609	1,268,383
Kuwait-----	848,233	1,084,654	1,187,387	1,424,968	1,123,318
France-----	1,574,068	1,466,407	1,340,845	1,339,276	1,034,587
Paraguay-----	168,960	49,360	204,155	683,498	966,511
Ecuador-----	414,364	356,840	451,644	569,222	712,385
Italy-----	740,642	813,973	719,752	708,723	643,866
Lebanon-----	362,945	380,557	532,823	550,150	630,415
Panama-----	678,079	546,981	508,070	823,496	651,395
West Germany--	626,868	562,941	532,744	542,599	522,823
Peru-----	412,359	518,692	761,078	597,503	503,105
Belgium-----	1,126,807	1,119,962	1,045,350	720,108	511,204
Netherlands---	610,547	612,620	484,673	617,146	503,277
Canary					
Islands-----	128,229	245,216	517,089	575,565	486,593
Switzerland---	591,958	416,342	530,462	342,697	483,022
Sweden-----	649,439	768,347	696,645	706,706	445,482
Australia-----	341,041	447,091	579,563	533,740	468,591
Denmark-----	425,217	480,995	474,354	512,682	398,937
Gibraltar-----	1,391,706	1,150,737	934,619	778,313	200,755
All other-----	6,987,458	7,768,520	6,348,573	6,051,841	5,734,010
Total-----	22,336,662	24,079,879	23,614,703	25,144,170	23,051,945

See footnote at end of table

Table 2.--Cigarettes: U.S. exports of domestic merchandise, by principal markets, 1961-65--Continued

Market	1961	1962	1963	1964	1965
Value (1,000 dollars)					
Hong Kong-----	6,247	6,485	8,191	9,658	10,197
Spain-----	1,992	4,779	3,974	10,475	8,442
Netherlands					
Antilles-----	3,414	5,120	5,075	5,234	5,975
Malaysia ^{1/} -----	5,566	5,814	7,298	4,886	5,624
Kuwait-----	4,039	5,182	5,721	6,850	5,402
France-----	7,224	6,723	6,239	6,337	4,910
Paraguay-----	743	208	951	3,182	4,570
Ecuador-----	1,833	1,603	2,089	2,700	3,394
Italy-----	3,391	3,710	3,372	3,376	3,052
Lebanon-----	1,733	1,808	2,549	2,648	3,030
Panama-----	2,863	2,337	2,223	3,632	2,922
West Germany---	2,752	2,520	2,443	2,563	2,472
Peru-----	1,909	2,389	3,564	2,852	2,406
Belgium-----	5,224	5,137	4,891	3,291	2,391
Netherlands---	2,590	2,646	2,163	2,819	2,305
Canary					
Islands-----	560	1,069	2,334	2,695	2,287
Switzerland---	2,643	1,880	2,451	1,609	2,264
Sweden-----	2,923	3,522	3,273	3,380	2,117
Australia-----	1,483	1,926	2,590	2,405	2,092
Denmark-----	1,842	2,100	2,128	2,398	1,828
Gibraltar-----	6,117	5,049	4,231	3,573	923
All other-----	30,174	34,279	28,793	28,032	26,694
Total-----	97,262	106,286	106,543	114,595	105,297

^{1/} Data shown are for the former Federation of Malaya, Singapore, Sarawak, and North Borneo.

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

CIGARETTES

Table 3.--Cigarettes: U.S. imports for consumption,
by principal sources, 1961-65

Country	1961	1962	1963	1964	1965
	Quantity (1,000 cigarettes)				
United Kingdom-----	3,598	5,383	4,134	4,344	4,478
France-----	2,961	1,870	1,551	1,573	2,066
Canada-----	765	2,752	2,139	770	760
West Germany-----	469	746	224	420	227
Turkey-----	263	230	180	154	130
Republic of the Philippines-----	504	441	392	695	315
Egypt-----	420	242	342	199	128
All other-----	2,071	1,877	807	1,953	405
Total-----	11,051	13,541	9,769	10,108	8,509
	Value (1,000 dollars)				
United Kingdom-----	26	33	28	29	31
France-----	10	5	4	4	6
Canada-----	6	12	10	3	3
West Germany-----	3	3	1	2	1
Turkey-----	2	1	1	2	1
Republic of the Philippines-----	2	1	2	2	1
Egypt-----	3	2	3	2	1
All other-----	8	9	4	9	2
Total-----	60	66	53	53	46

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

<u>Commodity</u>	<u>TSUS</u> <u>item</u>
Cigars and cheroots-----	170.70, -.71, -.72, -.73, -.74

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

The United States is the largest producer and consumer of cigars. Exports exceed imports but both are negligible relative to domestic production. Nearly half of the tobacco used in U.S. cigars is imported.

Description and uses

Cigars are usually composed of three elements: (1) the core or body comprised of filler or scrap tobacco which provides most of the taste and aroma; (2) the binder consisting of a cut of leaf tobacco or a section of processed tobacco sheet which, in an overlapping spiral binds and encloses the core or body, shaping and sealing the cigar; and (3) the wrapper, a cut of thin tobacco leaf of fine texture which is wrapped about the binder spirally, and which provides the smooth outer surface of the cigar. The core comprises about 75 percent of the weight; the binder, 15 percent; and the wrapper, about 10 percent. Large cigars, weighing more than 10 pounds per 1,000, account for about 80 percent of U.S. production; cigars of cigarillo size, weighing between 3 and 10 pounds per 1,000, comprise another 14 percent; and those of cigarette size, weighing less than 3 pounds per 1,000, account for the remainder. In cigars of cigarette size, and increasingly in cigars of cigarillo size, the binder also serves as a wrapper.

Cheroots are cigars which are open at both ends, frequently without a binder and usually of small size, made of tobaccos not commonly used in standard cigars. They represent only a very small part of U.S. cigar production and consumption.

Almost all cigars now made in the United States are either wholly of domestic tobacco, or of domestic and foreign tobacco combined. Cigars made wholly of imported cigar leaf, once numerous, have almost disappeared with the gradual exhaustion of supplies of Havana tobacco in the United States. The core or body of cigars may be composed of scrap tobacco or rolled leaf strips made from filler tobacco. The core or body is usually a blend of various tobaccos and

its cost which varies widely--depending on the type and grade of tobacco used--is a major determinant of the price of the cigar.

Binder used in U.S. cigars is almost entirely homogenized tobacco sheet, although Connecticut and Wisconsin natural binder leaf is still used to a limited extent in finer cigars. Use of processed binder sheet involves a substantial saving in labor by the cigar manufacturers. Almost all domestic cigars made with natural leaf wrapper are made with domestic shade-grown wrapper. Connecticut Valley wrapper predominates in the more expensive brands, and Georgia-Florida, in the medium and lower priced ones.

In Western Europe the filler tobaccos used in cigar production come chiefly from Brazil, Cuba, the Republic of the Philippines, the Dominican Republic, and Indonesia, and the wrapper tobaccos chiefly from Indonesia and the United States. Cuba relies on its own leaf exclusively for cigar manufacture. Besides differing in type and grade of tobacco contained, cigars differ in degree of moisture or "casing." In Europe the preference is for a drier and harder cigar than in the United States.

In 1965, approximately half the cigars manufactured in the United States (including Puerto Rico) retailed for 6 cents apiece or less; 10 percent for between 6 cents and 8 cents, 34 percent for between 8 cents and 15 cents, and 5 percent for over 15 cents. Thirty-one percent of cigars imported into the United States in 1965 retailed for 6 cents apiece or less, 32 percent for between 6 cents and 15 cents, and 37 percent for over 15 cents.

U.S. tariff treatment

The current column 1 rates of duty applicable to imports (see general headnote 3 in appendix A) are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
170.70	Cigars and cheroots-----	\$1.91 per lb. + 10.5% ad val.
170.71	If product of Cuba-----	\$1.27 per lb. + 8.5% ad val.
	If cigars the product of the Philippines: If Philippine articles:	
170.72	Within tariff-rate quota (see head- note 4, pt. 13, schedule 1).	Free
170.73	Other-----	\$1.27 per lb. + 8.5% ad val.
170.74	Other-----	\$1.91 per lb. + 10.5% ad val.

For cigars not the product of Cuba or the Philippines (item 170.70) the current rate of duty, which is the same as the rate provided therefor in paragraph 605 of the former tariff schedules, has been in effect since June 30, 1958, and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The preferential rate applicable to products of Cuba was suspended on May 24, 1962; imports from Cuba have been prohibited since February 7, 1962. On March 24, 1962, the import embargo was extended to all cigars made from Cuban tobacco, no matter where manufactured (27 F.R. 2765).

The tariff treatment for products of the Philippines is in accordance with the trade agreement between the United States and the Philippine Republic. Imports of cigars which are "Philippine articles" as defined in part c (iv) of general headnote 3 mentioned above are duty-free within the limits of a diminishing quota and are dutiable on the excess at a rate equivalent to that for comparable Cuban products. The duty-free annual quotas, which will terminate at the close of December 31, 1973, are as follows:

<u>Calendar years</u>	<u>Million units</u>
1963-64-----	160
1965-67-----	120
1968-70-----	80
1971-73-----	40

In recent years imports of Philippine cigars have been far short of the applicable duty-free quota. The duty on imports of cigars in 1965 from countries other than the Republic of the Philippines was equivalent to 32 percent ad valorem.

On cigars weighing more than 3 pounds per thousand, whether of domestic or foreign origin, internal revenue taxes (26 U.S.C. 5701), which vary on the basis of retail prices, are as follows:

<u>Retail price range</u>	<u>Tax per thousand</u>
Not more than $2\frac{1}{2}\phi$ each-----	\$2.50
More than $2\frac{1}{2}\phi$ and not more than 4ϕ -----	3.00
More than 4ϕ and not more than 6ϕ -----	4.00
More than 6ϕ and not more than 8ϕ -----	7.00
More than 8ϕ and not more than 15ϕ -----	10.00
More than 15ϕ and not more than 20ϕ -----	15.00
More than 20ϕ each-----	20.00

On cigars weighing not more than 3 pounds per thousand, the tax is 75 cents per thousand.

U.S. consumption

Annual U.S. consumption of cigars and cheroots moved upward from 6 billion in 1952-56 to 7 billion in 1959-63, and to 10 billion in 1964, but receded to 9 billion in 1965 (table 1). The increase from 1963 to 1964 attended renewed adverse publicity on cigarette smoking. Most of the increase took place in cigarillos. The average number of cigars (not including those of cigarette size) produced per pound of tobacco rose from 43 to 56. U.S. consumption of cigarette-size cigars (weighing not more than 3 pounds per thousand) is relatively small and fluctuates widely from year to year. It increased from an average of 64 million a year in the early 1950's to 482 million in 1959, receded to 142 million in 1960, increased to 940 million in 1964, and declined to 435 million in 1965.

National consumer expenditure for cigars in 1964 was estimated at \$746 million by the Economic Research Service of the U.S. Department of Agriculture, compared with \$7,048 million for cigarettes, and \$322 million for chewing tobacco, smoking tobacco, and snuff. In 1965 the corresponding estimates were \$719 million for cigars, \$7,626 million for cigarettes, and \$307 million for other tobacco products.

U.S. producers and production

In 1965 there were 336 cigar-manufacturing establishments in the United States, producing 8.3 billion cigars with a value at manufacturers' sales level of \$433 million. U.S.-owned plants in Puerto Rico marketed in the United States another 942 million cigars, valued at \$77 million. Shipments to continental United States from Puerto Rico, which is within the Customs territory of the United States, are duty-free. Cigars were produced in 27 States in 1965; five States-- Pennsylvania, Florida, Alabama, Kentucky, and South Carolina-- accounted for 80 percent of U.S. output (excluding that in Puerto Rico).

A long-term trend toward greater concentration of cigar-making facilities continued in the decade 1955-65. As compared with 955 establishments in the industry in 1955, there were 536 in 1960, and 336 in 1965. Five firms accounted for approximately 80 percent of U.S. cigar production in 1965.

Use of homogenized tobacco sheet as binder in regular-size cigars and as wrapper in cigarillos has cut down the number of machine attendants needed. Cigarillos have comprised an increasing share of production, also permitting greater mechanization. The number of production workers employed has accordingly declined from 36,400 in 1955, to 26,400 in 1960, and to 23,700 in 1965.

Annual production of cigars, which parallels consumption, fluctuated between 7.1 billion and 7.6 billion cigars in 1960-63; it advanced to 10.5 billion in 1964, but receded to 9.3 billion in 1965.

U.S. exports

U.S. manufacturers exported 55,249,000 cigars in 1965, with a value of \$1,941,000, nearly three times the volume exported in 1960. The trend was steadily upward over the last 3 years of the period 1960-65. Exports in 1965, however, still comprised less than 1 percent of U.S. production.

Leading foreign markets in 1965 were France, the United Kingdom, the Bahamas, Iceland, and Canada (table 2).

U.S. imports

The United States in 1965 imported 25,481,000 cigars with a total value of \$1,956,000. Imports supplied less than half of 1 percent of the cigars consumed in 1965, a relationship unchanged since 1960.

Leading foreign suppliers in 1965 were the Republic of the Philippines with 9 million cigars, valued at \$247,000, the Netherlands with 4 million cigars, valued at \$155,000, followed by the Canary Islands, Brazil, and Jamaica each with between 2 million and 3 million cigars, valued between \$88,000 and \$594,000 (table 3).

The small imports for consumption of Cuban cigars since the embargo of February 7, 1962, consist of withdrawals from Customs bonded warehouse of cigars entered before the embargo.

International trade

World production in 1964 amounted to approximately 26 billion cigars. Output in the 7 major producing countries was as follows:

<u>Country</u>	<u>Billion units</u>
United States-----	10.5
West Germany-----	4.1
Netherlands-----	2.0
Burma-----	1/ 2.0
Belgium-----	1.4
East Germany-----	1/ 1.3
Denmark-----	1.2

1/ Estimated.

Cigars entering international trade were valued at \$40 million in 1964 and accounted for about 5 percent of world production. Leading exporters were the Netherlands, Belgium, Cuba, the United States, Switzerland, and Denmark, and leading importers were the Netherlands, Belgium, the United Kingdom, Spain, France, the United States, Sweden, and Australia.

Table 1.--Cigars and cheroots: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1960-65

Calendar year	Production <u>1/</u>	Imports	Exports	Consumption <u>2/</u>
Quantity (1,000 cigars)				
1960-----	7,338,000	31,700	21,300	7,200,000
1961-----	7,154,000	24,200	17,500	7,190,000
1962-----	7,331,000	22,900	20,400	7,216,000
1963-----	7,523,000	24,400	33,400	7,554,000
1964-----	10,519,000	28,300	44,300	10,082,000
1965-----	9,251,000	25,500	55,200	9,096,000
Value (1,000 dollars)				
1960-----	394,200	4,700	700	<u>3/</u>
1961-----	387,500	2,900	700	<u>3/</u>
1962-----	403,500	1,300	900	<u>3/</u>
1963-----	405,900	1,300	1,300	<u>3/</u>
1964-----	552,000	1,800	1,800	<u>3/</u>
1965-----	510,800	2,000	1,900	<u>3/</u>

1/ Production includes large and small (cigarette-size) cigars manufactured in continental United States and shipments to continental United States from Puerto Rico. Production value is based on unit values derived from the U.S. Census of Manufactures, 1963, together with the value of shipments from Puerto Rico. Excise taxes are not included.

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

3/ Not available.

Source: Production and consumption compiled from official statistics of the U.S. Internal Revenue Service; shipments from Puerto Rico (included in production), imports, and exports compiled from official statistics of the U.S. Department of Commerce.

CIGARS AND CHEROOTS

Table 2.--Cigars and cheroots: U.S. exports of domestic merchandise, by principal markets, 1960-65

Market	1960	1961	1962	1963	1964	1965
Quantity (1,000 cigars)						
France-----	359	692	927	9,569	5,264	7,798
United Kingdom---	283	736	704	1,143	1,633	3,079
Bahamas-----	1,461	1,353	1,446	1,448	2,207	2,228
Republic of South:						
Africa ^{1/} -----	1,918	463	783	1,270	2,256	2,055
Iceland-----	162	631	756	2,751	3,126	3,265
Canada-----	2,392	882	730	586	2,845	11,089
Panama-----	1,086	725	568	539	1,344	991
Switzerland-----	909	718	966	1,403	1,041	1,028
Kuwait-----	617	588	1,427	1,283	1,618	1,420
Australia-----	3,978	201	748	922	2,577	1,174
Egypt-----	256	490	938	631	1,094	941
Bermuda-----	681	736	748	453	817	659
Saudi Arabia-----	321	600	267	284	352	451
All other-----	6,914	8,666	9,398	11,161	18,164	19,071
Total-----	21,337	17,481	20,406	33,443	44,338	55,249
Value (1,000 dollars)						
France-----	13	26	35	296	170	234
United Kingdom---	20	37	47	46	78	133
Bahamas-----	64	55	61	76	102	115
Republic of South:						
Africa ^{1/} -----	40	20	32	57	95	101
Iceland-----	6	26	23	97	97	98
Canada-----	92	61	56	50	92	83
Panama-----	47	33	36	43	54	58
Switzerland-----	18	29	39	51	56	57
Kuwait-----	24	27	57	41	76	56
Australia-----	75	8	34	36	96	54
Egypt-----	12	24	47	29	51	44
Bermuda-----	37	33	39	37	42	36
Saudi Arabia-----	21	36	18	19	25	27
All other-----	221	330	365	449	773	845
Total-----	690	745	889	1,327	1,807	1,941

^{1/} Name changed from Union of South Africa on May 31, 1961.

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

Table 3.--Cigars and cheroots: U.S. imports for consumption, by principal sources, 1960-65

Source	1960	1961	1962	1963	1964	1965
Quantity (1,000 cigars)						
Canary Islands--	-	11	703	1,116	2,722	2,579
Jamaica-----	5	67	372	1,622	2,039	2,270
Philippine						
Republic-----	5,528	7,863	14,155	14,513	13,411	9,037
Spain-----	-	10	57	226	489	960
Mexico-----	-	6	479	719	725	1,061
Netherlands-----	1,984	1,619	2,762	2,947	4,392	4,352
Brazil-----	70	313	1,229	1,504	2,456	2,569
Sweden-----	-	-	-	404	376	1,831
Denmark-----	246	360	744	718	901	453
Dominican						
Republic-----	-	35	313	165	79	46
Cuba-----	23,439	13,470	1,659	-	38	-
All other-----	444	430	386	461	647	323
Total-----	31,716	24,184	22,859	24,395	28,275	25,481
Value (1,000 dollars)						
Canary Islands--	-	2	171	212	545	594
Jamaica-----	1	11	68	337	362	397
Philippine						
Republic-----	179	262	441	386	388	247
Spain-----	-	2	12	29	93	213
Mexico-----	-	1	59	97	84	161
Netherlands-----	62	62	94	113	155	155
Brazil-----	2	11	36	65	87	88
Sweden-----	-	-	-	12	11	57
Denmark-----	4	6	16	18	26	20
Dominican						
Republic-----	-	3	29	18	10	5
Cuba-----	4,436	2,498	351	-	8	-
All other-----	17	19	17	21	25	19
Total-----	4,701	2,877	1,294	1,308	1,794	1,956

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

<u>Commodity</u>	<u>TSUS item</u>
Snuff and snuff flour-----	170.75

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

The United States is the leading producer and consumer of snuff in the world. Imports and exports are negligible.

Comment

Snuff is finely ground tobacco, aged and fermented. It may be moist or dry, and flavored or unflavored. Flavors or scents include attar of roses, essence of bergamot, essence of lemon, and tonka beans. Tobaccos used in snuff manufacture are chiefly the darker and heavier grades of fire-cured leaf from Tennessee, Kentucky, and Virginia. Snuff flour is finely ground tobacco usually subject to further processing before being marketed as snuff.

Two general classes of snuff are produced in the United States (1) dry or Scotch-type, which is popular in the Southeastern States, and (2) the moist type, favored by residents of the North Central and Northwest States, principally those of Scandinavian extraction.

The current column 1 rate of duty applicable to imports (see general headnote 3 in appendix A) is as follows:

<u>TSUS item</u>	<u>Commodity</u>	<u>Rate of duty</u>
170.75	Snuff and snuff flour-----	22¢ per lb.

This rate of duty, which is the same as the rate provided for such products in paragraph 604 of the former tariff schedules, has been in effect since July 1, 1963 and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. That concession became operative in two annual stages. In 1965, the duty was equivalent to 15 percent ad valorem on the snuff entered from Portugal and 14 percent on the snuff from the United Kingdom. An internal revenue tax of 10 cents per pound on snuff and other manufactured tobacco, both domestic and foreign, was abolished on January 1, 1966.

SNUFF AND SNUFF FLOUR

Since 1956 there has been a gradual decline in U.S. consumption of snuff; in the period 1960-65 consumption declined from 34.7 million pounds to 29.5 million pounds. Annual domestic production during that period, which did not vary greatly from consumption, was as follows:

<u>Year</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>dollars</u>
1960-----	34,599	38,232
1961-----	33,759	38,654
1962-----	33,170	38,842
1963-----	31,844	38,213
1964-----	31,443	39,430
1965-----	29,710	37,256

The volume figures shown above were reported in the official statistics of the U.S. Internal Revenue Service and the value figures were estimated on the basis of the average value per pound of the shipments reported in the 1963 Census of Manufactures, U.S. Department of Commerce, adjusted in non-Census years for changes in the wholesale price index of the Bureau of Labor Statistics.

Four concerns produce over 99 percent of the snuff in the United States. Major factories are located in Tennessee, Illinois, New Jersey, and North Carolina. Snuff, chewing tobacco, smoking tobacco, and cigarettes are the major sources of income for these firms.

Three snuff producers have also diversified into nontobacco lines, including such widely separated fields as nuts, pretzels and snack foods, shoe polish, leather dyes, spot removers, insecticides, and pens and pencils. Diversification was undertaken because of the diminishing market for snuff and chewing tobacco. Snuff production has continued profitable despite a declining volume of business.

Imports of snuff and snuff flour have been negligible and declining, as indicated in the accompanying table. Exports of snuff and snuff flour are not separately reported but are negligible.

Snuff and snuff flour: U.S. imports for consumption,
by sources, 1960-65

Source	1960	1961	1962	1963	1964	1965
Quantity (pounds)						
Azores-----	827	827	827	827	-	1,224
Portugal-----	-	827	827	1,158	1,158	1,158
Spain-----	-	-	-	-	-	827
United Kingdom-----	1,390	953	945	990	1,900	630
Italy-----	4,520	4,410	5,910	2,205	-	-
Norway-----	-	6	-	-	-	-
Total-----	6,737	7,023	8,509	5,180	3,058	3,839
Value (dollars)						
Azores-----	1,257	1,258	1,260	1,256	-	1,816
Portugal-----	-	1,253	1,260	1,705	1,703	1,692
Spain-----	-	-	-	-	-	1,241
United Kingdom-----	2,011	1,375	1,374	1,502	3,912	998
Italy-----	5,315	6,000	6,947	3,000	-	-
Norway-----	-	5	-	-	-	-
Total-----	8,583	9,891	10,841	7,463	5,615	5,747

Source: Official statistics of the U.S. Department of Commerce.

CommodityTSUS
item

Tobacco, not specially provided for (including smoking tobacco and chewing tobacco)----- 170.80

Note.--For the statutory description, see the Tariff Schedules of the United States (pertinent sections thereof are reproduced in appendix A to this volume).

U.S. trade position

U.S. sales of the only significant commercial products covered here, pipe-smoking and chewing tobacco, have declined for more than 30 years. U.S. production about equals consumption, inasmuch as foreign trade is small and stocks do not fluctuate greatly.

Description and uses

The 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 homogenized tobacco sheet is also classified under this TSUS item, but imports of such tobacco have been small.

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. Pipe-smoking tobacco is usually a blend of different types of leaf in the form of fine or rough cut, or cut plug. In the United States the chief component of pipe-smoking tobacco is burley. Other specialty tobaccos such as Latakia and perique, together with flavoring agents and glycerine or diethylene glycol (to retain moisture), are added. The tobaccos and flavoring materials used in particular brands of smoking tobacco are trade secrets. Sales promotion is usually directed to establishing consumer preference for each brand as a specialty item with highly individualized taste and smoking characteristics.

The United States is virtually the only modern industrialized country where chewing tobacco is manufactured and consumed. Chewing tobacco takes various forms: plug tobacco made from heavier grades of burley, flue-cured, dark air-cured, and fire-cured tobaccos, heavily impregnated with licorice, sugar, and fruit sauces; cigar leaf scrap, either plain or sweetened; plain or sweetened leaf twists made of one-sucker, burley, or fire-cured tobacco; and fine-cut, composed mainly of burley and Green River leaf. The fine-cut is also used frequently as pipe-smoking tobacco.

U.S. tariff treatment

The current column 1 rate of duty applicable to imports (see general headnote 3 in appendix A) is as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
170.80	Tobacco, not specially provided for-----	17.5¢ per lb.

This rate of duty, which is the same as the rate provided for such products in paragraph 603 of the former tariff schedules, has been in effect since January 1, 1948 and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The duty on imports in 1965 was equivalent to 13.5 percent ad valorem. The articles imported are relatively expensive specialties. On imports of pipe-smoking tobacco from the Netherlands, which accounted for most of the total, the duty was equivalent to 15 percent ad valorem, and on those from the United Kingdom, which accounted for a large part of the remainder, it was equivalent to 6 percent. It was equivalent to 32 percent on the small quantities of prepared cigarette tobacco imported in bulk for use by manufacturers in factory production of cigarettes. An internal revenue tax of 10 cents per pound on the manufactured tobacco included here, both domestic and foreign, was abolished on January 1, 1966.

U.S. consumption

Annual U.S. consumption of smoking and chewing tobacco has decreased gradually since the 1920's, chiefly because of the increased use of factory-made cigarettes. Between 1950 and 1965 per capita consumption of smoking tobacco by the male population 18 years of age and over dropped from 2.0 pounds to 1.2 pounds, and per capita consumption of chewing tobacco from 1.7 pounds to 1.1 pounds.

Total U.S. consumption of smoking tobacco declined from 107 million pounds in 1950 to 74 million pounds in 1960, and to 73 million in 1965. U.S. consumption of chewing tobacco, which was 87.5 million pounds in 1950, declined to 64.9 million pounds by 1960, and fluctuated between 64 million and 66 million pounds annually in the period 1961-65. Consumption in 1965 was 65.1 million pounds. Consumer expenditure for smoking and chewing tobacco in 1965 was approximately \$260 million, including taxes.

Producers and production

The Census of Manufactures in 1963 classified 51 establishments, with 4,058 employees, as being primarily producers of chewing and

smoking tobacco. This number did not include plants producing minor amounts of such tobacco along with other major tobacco products in the same plant. According to the U.S. Internal Revenue Service, there were 155 plants in the United States which produced some smoking or chewing tobacco in 1963, and 143 such plants in 1965. Each large cigarette company has at least 1 major brand of smoking tobacco in its product line and some also produce chewing tobacco. In addition, there are many smaller companies in the field, some with only local distribution.

Production occurs in more than a score of States, chiefly North Carolina, Kentucky, Virginia, West Virginia, Missouri, Michigan, Ohio, and Pennsylvania. The production of smoking tobacco declined from 107.7 million pounds in 1950 to 73.2 million pounds in 1959, and 70.4 million pounds in 1963. A rise to 82.4 million pounds in 1964, as the result of adverse publicity on cigarette smoking, was followed by a decline to 71.8 million pounds in 1965 (table 1). The value of production at manufacturers' sales level ranged from \$87 million to \$106 million a year in 1960-65. The production of chewing tobacco declined from 87.5 million pounds in 1950 to 68.2 million by 1959 and to 64.9 million pounds in 1960. It fluctuated narrowly in the period 1960-65 as shown below:

<u>Year</u>	<u>Quantity</u> (1,000 pounds)	<u>Value</u> (1,000 dollars)
1960-----	64,871	59,300
1961-----	65,240	59,600
1962-----	64,689	60,200
1963-----	65,233	65,100
1964-----	66,201	69,100
1965-----	65,129	68,000

U.S. exports

In 1960-65, about 1 percent of the pipe-smoking and chewing tobacco produced in the United States was exported. Combined exports ranged from 1.3 million pounds to 1.8 million pounds a year, valued between \$1.7 million and \$2.5 million.

Leading foreign markets in 1965 for packaged pipe-smoking tobacco were Canada, Denmark, Japan, Australia, and West Germany (table 2). Exports of chewing tobacco were chiefly to Australia, the French Pacific Islands, and Panama (table 3). Much of the twist chewing tobacco exported to Australia was reexported to island dependencies in the Pacific.

Exports in bulk of tobacco leaf which is blended and sometimes flavored for the manufacture of cigarettes abroad, and of homogenized tobacco sheet for use in cigar and cigarette manufacture, are shown in table 4.

U.S. exports of foreign tobacco unspecified as to type and of foreign tobacco products (other than cigars and cigarettes)--none sufficiently changed in character or condition to be considered domestic merchandise--are not included in tables 2 through 4. Such exports nearly doubled in value from 1961 to 1965, as shown in the following tabulation:

<u>Year</u>	<u>1,000 dollars</u>
1961-----	1,506
1962-----	2,257
1963-----	2,927
1964-----	2,570
1965-----	2,678

U.S. imports

U.S. imports of smoking tobacco increased from 918,000 pounds, valued at \$1,180,000, in 1960 to 2,992,000 pounds, valued at \$3,634,000, in 1964, when they supplied 3.6 percent of the consumption (table 1). In 1965 a reduction in imports accompanied the decline in demand for smoking tobacco in the United States, as cigarette consumption regained some of the ground lost because of adverse publicity in the previous year.

Smoking tobacco in retail-size packages from the Netherlands, United Kingdom, and Denmark comprise the bulk of the imports (table 5). These are mostly specialty items, priced above domestic brands. The prestige of a foreign label is an important element in their promotion. Small imports from France are mostly prepared cigarette tobacco shipped in bulk for use in factory production of French cigarette brands. There are no imports of chewing tobacco.

World trade in miscellaneous manufactured and semimanufactured tobacco products, including pipe-smoking tobacco, chewing tobacco, blended and flavored strips of tobacco leaf, and homogenized tobacco sheet, amounts to less than \$40 million annually. The chief exporters in 1964 were the United States (chiefly smoking tobacco in bulk), the Netherlands, the United Kingdom, and West Germany. Leading importers were the United States, Canada, Belgium-Luxembourg, Sweden, Australia, and Denmark.

Table 1.--Smoking tobacco: U.S. production, imports for consumption, exports, and apparent consumption, 1960-65

Year	Production ^{1/}	Imports for consumption	Exports ^{2/}	Consumption	Ratio (percent) of imports to consumption
Quantity (1,000 pounds)					
1960-----	73,839	918	908	73,849	1
1961-----	74,152	1,262	786	74,628	2
1962-----	70,935	1,582	881	71,636	2
1963-----	70,447	1,898	877	71,468	3
1964-----	82,437	2,992	1,419	84,010	4
1965-----	71,781	2,490	1,133	73,138	3
Value (1,000 dollars)					
1960-----	90,000	1,180	1,336	^{3/}	^{3/}
1961-----	90,400	1,603	1,160	^{3/}	^{3/}
1962-----	87,000	1,923	1,291	^{3/}	^{3/}
1963-----	88,300	2,241	1,303	^{3/}	^{3/}
1964-----	105,700	3,634	2,077	^{3/}	^{3/}
1965-----	93,400	3,239	1,523	^{3/}	^{3/}

^{1/} Does not include processed tobacco exported in bulk for the manufacture of cigarettes abroad.

^{2/} Exports of smoking tobacco in retail-size packages. Exports of processed tobacco for use in the factory production of cigarettes are included in table 4.

^{3/} Not meaningful because values at different trade levels are not comparable.

Source: Production compiled from official statistics of the U.S. Internal Revenue Service; production value based on the average value per pound of shipments in the 1963 Census of Manufactures adjusted in other years for changes in the wholesale price index for smoking tobacco published by the Bureau of Labor Statistics; imports and exports compiled from official statistics of the U.S. Department of Commerce.

SMOKING TOBACCO AND CHEWING TOBACCO

Table 2.--Smoking tobacco in packages: U.S. exports,
by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Canada-----	249	215	236	240	309	163
Denmark-----	111	82	93	86	122	89
Japan-----	37	26	16	44	149	82
Australia-----	47	28	70	47	139	65
West Germany-----	21	25	39	38	86	64
Iceland-----	47	46	55	42	120	55
Switzerland-----	23	23	37	32	49	43
Sweden-----	40	38	35	35	45	42
Italy-----	30	24	32	28	37	39
Other countries-----	303	279	268	285	363	491
Total-----	908	786	881	877	1,419	1,133
Value (1,000 dollars)						
Canada-----	408	354	363	395	500	264
Denmark-----	179	138	156	143	203	149
Japan-----	53	38	23	64	215	121
Australia-----	67	42	109	71	196	89
West Germany-----	28	35	52	52	120	86
Iceland-----	60	58	72	55	155	73
Switzerland-----	34	36	53	50	75	66
Sweden-----	56	53	48	49	64	59
Italy-----	42	35	47	40	53	56
Other countries-----	409	371	368	384	496	560
Total-----	1,336	1,160	1,291	1,303	2,077	1,523

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

Table 3.--Chewing tobacco: ^{1/} U.S. exports, by principal markets, 1960-65

Market	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Australia-----	450	473	207	206	188	176
French Pacific Islands-----	27	15	54	60	67	68
Panama-----	100	77	117	92	100	53
Netherlands Antilles-----	22	19	20	18	20	19
Trust Pacific Islands-----	8	11	13	13	11	18
Canada-----	16	5	6	36	-	12
Other countries-----	160	67	209	36	26	43
Total-----	783	667	626	461	412	389
Value (1,000 dollars)						
Australia-----	423	449	199	199	196	183
French Pacific Islands-----	29	13	52	60	73	74
Panama-----	66	53	80	62	73	42
Netherlands Antilles-----	19	14	16	15	17	17
Trust Pacific Islands-----	10	11	12	13	11	17
Canada-----	15	5	6	37	-	13
Other countries-----	90	63	160	32	25	40
Total-----	652	608	525	418	395	386

^{1/} Includes small amounts of snuff.

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

Table 4.--Processed tobacco in bulk: 1/ U.S. exports, by principal markets, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Switzerland-----	603	1,385	1,694	2,820	3,265	3,604
Mexico-----	1,269	846	658	705	420	1,167
Dominican Republic--	553	552	1,023	1,205	1,633	619
Haiti-----	498	516	583	573	581	554
Bolivia-----	573	494	618	533	614	565
Ecuador-----	376	486	479	631	847	473
Panama-----	973	713	555	336	202	369
Australia-----	612	468	649	267	570	210
All other-----	2,289	3,498	2,373	2,778	4,196	5,839
Total-----	7,746	8,958	8,632	9,848	12,328	13,400
Value (1,000 dollars)						
Switzerland-----	659	1,549	1,945	3,184	3,726	4,230
Mexico-----	1,046	632	540	650	371	988
Dominican Republic--	448	447	854	1,134	1,683	669
Haiti-----	456	482	565	566	573	547
Bolivia-----	400	351	480	482	566	522
Ecuador-----	287	385	380	491	648	356
Panama-----	707	637	503	309	198	353
Australia-----	774	469	864	371	695	225
All other-----	2,632	3,398	2,467	2,847	4,287	5,899
Total-----	7,409	8,350	8,598	10,034	12,747	13,789

1/ Principally processed tobacco leaf exported in bulk for the manufacture of cigarettes abroad, and homogenized tobacco sheet exported for use in cigar and cigarette manufacture. Homogenized tobacco sheet is dutiable, by virtue of the similitude provisions of item 798.00, at the rate for stemmed wrapper (item 170.15) if suitable for use as cigar wrapper or at the rate for stemmed filler (item 170.45) if not suitable for use as cigar wrapper and used as cigar binder (T.D. 56410(41)).

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

Table 5.--Tobacco, manufactured and unmanufactured, n.s.p.f.: U.S. imports for consumption, by principal sources, 1960-65

Country	1960	1961	1962	1963	1964	1965
Quantity (1,000 pounds)						
Netherlands-----	704	957	1,273	1,464	2,348	1,904
United Kingdom-----	138	183	175	194	283	262
Denmark-----	36	46	25	44	125	147
France-----	-	29	50	65	42	55
West Germany-----	10	22	10	32	69	32
Switzerland-----	<u>1/</u>	3	15	74	74	18
Canada-----	4	5	2	6	35	8
Norway-----	14	14	18	7	8	7
Other countries-----	12	3	14	12	8	57
Total-----	918	1,262	1,582	1,898	2,992	2,490
Value (1,000 dollars)						
Netherlands-----	774	1,029	1,333	1,523	2,602	2,194
United Kingdom-----	326	451	456	521	700	716
Denmark-----	30	37	27	37	120	149
France-----	-	25	34	44	28	37
West Germany-----	10	24	10	29	73	36
Switzerland-----	<u>2/</u>	3	13	61	66	16
Canada-----	4	6	3	5	18	12
Norway-----	19	20	28	11	12	11
Other countries-----	17	8	19	10	15	68
Total-----	1,180	1,603	1,923	2,241	3,634	3,239

1/ Less than 500 pounds.2/ Less than \$500.

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

A P P E N D I X E S

Tariff Schedules of the United States: General Headnotes and Rules of Interpretation,
and Excerpts Relating to the Items Included in This Volume

GENERAL HEADNOTES AND RULES OF INTERPRETATION

1. Tariff Treatment of Imported Articles. All articles imported into the customs territory of the United States from outside thereof are subject to duty or exempt therefrom as prescribed in general headnote 3.

2. Customs Territory of the United States. The term "customs territory of the United States", as used in the schedules, includes only the States, the District of Columbia, and Puerto Rico.

3. Rates of Duty. The rates of duty in the "Rates of Duty" columns numbered 1 and 2 of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) Products of Insular Possessions.

(i) Except as provided in headnote 6 or schedule 7, part 2, subpart E, articles imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value, coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) in determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

(b) Products of Cuba. Products of Cuba imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. Preferential rates of duty for such products apply only as shown in the said column 1. ^{1/}

(c) Products of the Philippine Republic.

(i) Products of the Philippine Republic imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty which are set forth in column numbered 1 of the schedules or to fractional parts of the rates in the said column 1, as hereinafter prescribed in subdivisions (c)(ii) and (c)(iii) of this headnote.

(ii) Except as otherwise prescribed in the schedules, a Philippine article, as defined in subdivision (c)(iv) of this headnote, imported into the customs territory of the United States and entered on or before July 3, 1974, is subject to that rate which results from the application of the following percentages to the most favorable rate of duty (i.e., including a preferential rate prescribed for any product of Cuba) set forth in column numbered 1 of the schedules:

- (A) 20 percent, during calendar years 1963 through 1964,
- (B) 40 percent, during calendar years 1965 through 1967,
- (C) 60 percent, during calendar years 1968 through 1970,
- (D) 80 percent, during calendar years 1971 through 1973,
- (E) 100 percent, during the period from January 1, 1974, through July 3, 1974.

^{1/} By virtue of section 401 of the Tariff Classification Act of 1962, the application to products of Cuba of either a preferential or other reduced rate of duty in column 1 is suspended. See general headnote 3(e), *infra*. The provisions for preferential Cuban rates continue to be reflected in the schedules because, under section 401, the rates therefor in column 1 still form the bases for determining the rates of duty applicable to certain products, including "Philippine articles".

General Headnotes and Rules of Interpretation

(iii) Except as otherwise prescribed in the schedules, products of the Philippine Republic, other than Philippine articles, are subject to the rates of duty (except any preferential rates prescribed for products of Cuba) set forth in column numbered 1 of the schedules.

(iv) The term "Philippine article", as used in the schedules, means an article which is the product of the Philippines, but does not include any article produced with the use of materials imported into the Philippines which are products of any foreign country (except materials produced within the customs territory of the United States) if the aggregate value of such imported materials when landed at the Philippine port of entry, exclusive of any landing cost and Philippine duty, was more than 20 percent of the appraised customs value of the article imported into the customs territory of the United States.

(d) Products of Canada.

(i) Products of Canada imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. The rates of duty for a Canadian article, as defined in subdivision (d)(ii) of this headnote, apply only as shown in the said column numbered 1.

(ii) The term "Canadian article", as used in the schedules, means an article which is the product of Canada, but does not include any article produced with the use of materials imported into Canada which are products of any foreign country (except materials produced within the customs territory of the United States), if the aggregate value of such imported materials when landed at the Canadian port of entry (that is, the actual purchase price, or if not purchased, the export value, of such materials, plus, if not included therein, the cost of transporting such materials to Canada but exclusive of any landing cost and Canadian duty) was --

(A) with regard to any motor vehicle or automobile truck tractor entered on or before December 31, 1967, more than 60 percent of the appraised value of the article imported into the customs territory of the United States; and

(B) with regard to any other article (including any motor vehicle or automobile truck tractor entered after December 31, 1967), more than 50 percent of the appraised value of the article imported into the customs territory of the United States.

(e) Products of Communist Countries. Notwithstanding any of the foregoing provisions of this headnote, the rates of duty shown in column numbered 2 shall apply to products, whether imported directly or indirectly, of the following countries and areas pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, or to action taken by the President thereunder:

Albania
 Bulgaria
 China (any part of which may be under Communist domination or control)
 Cuba ^{1/}
 Czechoslovakia
 Estonia
 Germany (the Soviet zone and the Soviet sector of Berlin)
 Hungary
 Indochina (any part of Cambodia, Laos, or Vietnam which may be under Communist domination or control)
 Korea (any part of which may be under Communist domination or control)
 Kurile Islands
 Latvia
 Lithuania
 Outer Mongolia
 Rumania

^{1/} In Proclamation 3447, dated February 3, 1962, the President, acting under authority of section 620(a) of the Foreign Assistance Act of 1961 (75 Stat. 445), as amended, prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, subject to such exceptions as the Secretary of the Treasury determines to be consistent with the effective operation of the embargo.

General Headnotes and Rules of Interpretation

Southern Sakhalin
Tanna Tuva
Tibet

Union of Soviet Socialist Republics and the area in East Prussia
under the provisional administration of the Union of Soviet
Socialist Republics.

(f) Products of All Other Countries. Products of all countries not previously mentioned in this headnote imported into the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules:

(g) Effective Date; Exceptions - Staged Rates of Duty. Except as specified below or as may be specified elsewhere, pursuant to section 501(a) of the Tariff Classification Act of 1962 (P.L. 87-456, approved May 24, 1962), the rates of duty in columns numbered 1 and 2 become effective with respect to articles entered on or after the 10th day following the date of the President's proclamation provided for in section 102 of the said Act. If, in column numbered 1, any rate of duty or part thereof is set forth in parenthesis, the effective date shall be governed as follows:

(i) If the rate in column numbered 1 has only one part (i.e., 8¢ (10¢) per lb.), the parenthetical rate (viz., 10¢ per lb.) shall be effective as to articles entered before July 1, 1964, and the other rate (viz., 8¢ per lb.) shall be effective as to articles entered on or after July 1, 1964.

(ii) If the rate in column numbered 1 has two or more parts (i.e., 5¢ per lb. + 50% ad val.) and has a parenthetical rate for either or both parts, each part of the rate shall be governed as if it were a one-part rate. For example, if a rate is expressed as "4¢ (4.5¢) per lb. + 8% (9%) ad val.", the rate applicable to articles entered before July 1, 1964, would be "4.5¢ per lb. + 9% ad val."; the rate applicable to articles entered on or after July 1, 1964, would be "4¢ per lb. + 8% ad val."

(iii) If the rate in column numbered 1 is marked with an asterisk (*), the foregoing provisions of (i) and (ii) shall apply except that "January 1, 1964" shall be substituted for "July 1, 1964", wherever this latter date appears.

4. Modification or Amendment of Rates of Duty. Except as otherwise provided in the Appendix to the Tariff Schedules --

(a) a statutory rate of duty supersedes and terminates the existing rates of duty in both column numbered 1 and column numbered 2 unless otherwise specified in the amending statute;

(b) a rate of duty proclaimed pursuant to a concession granted in a trade agreement shall be reflected in column numbered 1 and, if higher than the then existing rate in column numbered 2, also in the latter column, and shall supersede but not terminate the then existing rate (or rates) in such column (or columns);

(c) a rate of duty proclaimed pursuant to section 336 of the Tariff Act of 1930 shall be reflected in both column numbered 1 and column numbered 2 and shall supersede but not terminate the then existing rates in such columns; and

(d) whenever a proclaimed rate is terminated or suspended, the rate shall revert, unless otherwise provided, to the next intervening proclaimed rate previously superseded but not terminated or, if none, to the statutory rate.

5. Intangibles. For the purposes of headnote 1 --

(a) corpses, together with their coffins and accompanying flowers,

(b) currency (metal or paper) in current circulation in any country and imported for monetary purposes,

(c) electricity,

(d) securities and similar evidences of value, and

(e) vessels which are not "yachts or pleasure boats" within the purview of subpart D, part 6, of schedule 6,

are not articles subject to the provisions of these schedules.

General Headnotes and Rules of Interpretation

6. Containers or Holders for Imported Merchandise. For the purposes of the tariff schedules, containers or holders are subject to tariff treatment as follows:

(a) Imported Empty: Containers or holders if imported empty are subject to tariff treatment as imported articles and as such are subject to duty unless they are within the purview of a provision which specifically exempts them from duty.

(b) Not Imported Empty: Containers or holders if imported containing or holding articles are subject to tariff treatment as follows:

(i) The usual or ordinary types of shipping or transportation containers or holders, if not designed for, or capable of, reuse, and containers of usual types ordinarily sold at retail with their contents, are not subject to treatment as imported articles. Their cost, however, is, under section 402 or section 402a of the tariff act, a part of the value of their contents and if their contents are subject to an ad valorem rate of duty such containers or holders are, in effect, dutiable at the same rate as their contents, except that their cost is deductible from dutiable value upon submission of satisfactory proof that they are products of the United States which are being returned without having been advanced in value or improved in condition by any means while abroad.

(ii) The usual or ordinary types of shipping or transportation containers or holders, if designed for, or capable of, reuse, are subject to treatment as imported articles separate and distinct from their contents. Such holders or containers are not part of the dutiable value of their contents and are separately subject to duty upon each and every importation into the customs territory of the United States unless within the scope of a provision specifically exempting them from duty.

(iii) In the absence of context which requires otherwise, all other containers or holders are subject to the same treatment as specified in (ii) above for usual or ordinary types of shipping or transportation containers or holders designed for, or capable of, reuse.

7. Commingling of Articles. (a) Whenever articles subject to different rates of duty are so packed together or mingled that the quantity or value of each class of articles cannot be readily ascertained by customs officers (without physical segregation of the shipment or the contents of any entire package thereof), by one or more of the following means:

(i) sampling,

(ii) verification of packing lists or other documents filed at the time of entry,

or

(iii) evidence showing performance of commercial settlement tests generally accepted in the trade and filed in such time and manner as may be prescribed by regulations of the Secretary of the Treasury,

the commingled articles shall be subject to the highest rate of duty applicable to any part thereof unless the consignee or his agent segregates the articles pursuant to subdivision (b) hereof.

(b) Every segregation of articles made pursuant to this headnote shall be accomplished by the consignee or his agent at the risk and expense of the consignee within 30 days (unless the Secretary authorizes in writing a longer time) after the date of personal delivery or mailing, by such employee as the Secretary of the Treasury shall designate, of written notice to the consignee that the articles are commingled and that the quantity or value of each class of articles cannot be readily ascertained by customs officers. Every such segregation shall be accomplished under customs supervision, and the compensation and expenses of the supervising customs officers shall be reimbursed to the Government by the consignee under such regulations as the Secretary of the Treasury may prescribe.

(c) The foregoing provisions of this headnote do not apply with respect to any part of a shipment if the consignee or his agent furnishes, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof --

(i) that such part (A) is commercially negligible, (B) is not capable of segregation without excessive cost, and (C) will not be segregated prior to its use in a manufacturing process or otherwise, and

(ii) that the commingling was not intended to avoid the payment of lawful duties.

January 1967

1:11

General Headnotes and Rules of Interpretation

Any article with respect to which such proof is furnished shall be considered for all customs purposes as a part of the article, subject to the next lower rate of duty, with which it is commingled.

(d) The foregoing provisions of this headnote do not apply with respect to any shipment if the consignee or his agent shall furnish, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof --

(i) that the value of the commingled articles is less than the aggregate value would be if the shipment were segregated;

(ii) that the shipment is not capable of segregation without excessive cost and will not be segregated prior to its use in a manufacturing process or otherwise; and

(iii) that the commingling was not intended to avoid the payment of lawful duties. Any merchandise with respect to which such proof is furnished shall be considered for all customs purposes to be dutiable at the rate applicable to the material present in greater quantity than any other material.

(e) The provisions of this headnote shall apply only in cases where the schedules do not expressly provide a particular tariff treatment for commingled articles.

8. Abbreviations. In the schedules the following symbols and abbreviations are used with the meanings respectively indicated below:

\$	-	dollars
¢	-	cents
%	-	percent
+	-	plus
ad val.	-	ad valorem
bu.	-	bushel
cu.	-	cubic
doz.	-	dozen
ft.	-	feet
gal.	-	gallon
in.	-	inches
lb.	-	pounds
oz.	-	ounces
sq.	-	square
wt.	-	weight
yd.	-	yard
pcs.	-	pieces
prs.	-	pairs
lin.	-	linear
I.R.C.	-	Internal Revenue Code

9. Definitions. For the purposes of the schedules, unless the context otherwise requires --

(a) the term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States;

(b) the term "entered for consumption" does not include withdrawals from warehouse for consumption;

(c) the term "withdrawn for consumption" means withdrawn from warehouse for consumption and does not include articles entered for consumption;

(d) the term "rate of duty" includes a free rate of duty; rates of duty proclaimed by the President shall be referred to as "proclaimed" rates of duty; rates of duty enacted by the Congress shall be referred to as "statutory" rates of duty; and the rates of duty in column numbered 2 at the time the schedules become effective shall be referred to as "original statutory" rates of duty;

(e) the term "ton" means 2,240 pounds, and the term "short ton" means 2,000 pounds;

General Headnotes and Rules of Interpretation

(f) the terms "of", "wholly of", "almost wholly of", "in part of" and "containing", when used between the description of an article and a material (e.g., "furniture of wood", "woven fabrics, wholly of cotton", etc.), have the following meanings:

(i) "of" means that the article is wholly or in chief value of the named material;

(ii) "wholly of" means that the article is, except for negligible or insignificant quantities of some other material or materials, composed completely of the named material;

(iii) "almost wholly of" means that the essential character of the article is imparted by the named material, notwithstanding the fact that significant quantities of some other material or materials may be present; and

(iv) "in part of" or "containing" mean that the article contains a significant quantity of the named material.

With regard to the application of the quantitative concepts specified in subparagraphs (ii) and (iv) above, it is intended that the de minimis rule apply.

10. General Interpretative Rules. For the purposes of these schedules --

(a) the general, schedule, part, and subpart headnotes, and the provisions describing the classes of imported articles and specifying the rates of duty or other import restrictions to be imposed thereon are subject to the rules of interpretation set forth herein and to such other rules of statutory interpretation, not inconsistent therewith, as have been or may be developed under administrative or judicial rulings;

(b) the titles of the various schedules, parts, and subparts and the footnotes therein are intended for convenience in reference only and have no legal or interpretative significance;

(c) an imported article which is described in two or more provisions of the schedules is classifiable in the provision which most specifically describes it; but, in applying this rule of interpretation, the following considerations shall govern:

(i) a superior heading cannot be enlarged by inferior headings indented under it but can be limited thereby;

(ii) comparisons are to be made only between provisions of coordinate or equal status, i.e., between the primary or main superior headings of the schedules or between coordinate inferior headings which are subordinate to the same superior heading;

(d) if two or more tariff descriptions are equally applicable to an article, such article shall be subject to duty under the description for which the original statutory rate is highest, and, should the highest original statutory rate be applicable to two or more of such descriptions, the article shall be subject to duty under that one of such descriptions which first appears in the schedules;

(e) in the absence of special language or context which otherwise requires --

(i) a tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the United States at, or immediately prior to, the date of importation, of articles of that class or kind to which the imported articles belong, and the controlling use is the chief use, i.e., the use which exceeds all other uses (if any) combined;

(ii) a tariff classification controlled by the actual use to which an imported article is put in the United States is satisfied only if such use is intended at the time of importation, the article is so used, and proof thereof is furnished within 3 years after the date the article is entered;

(f) an article is in chief value of a material if such material exceeds in value each other single component material of the article;

(g) a headnote provision which enumerates articles not included in a schedule, part, or subpart is not necessarily exhaustive, and the absence of a particular article from such headnote provision shall not be given weight in determining the relative specificity of competing provisions which describe such article;

(h) unless the context requires otherwise, a tariff description for an article covers such article, whether assembled or not assembled, and whether finished or not finished;

(i) a provision for "parts" of an article covers a product solely or chiefly used as a part of such article, but does not prevail over a specific provision for such part.

General Headnotes and Rules of Interpretation

11. Issuance of Rules and Regulations. The Secretary of the Treasury is hereby authorized to issue rules and regulations governing the admission of articles under the provisions of the schedules. The allowance of an importer's claim for classification, under any of the provisions of the schedules which provide for total or partial relief from duty or other import restrictions on the basis of facts which are not determinable from an examination of the article itself in its condition as imported, is dependent upon his complying with any rules or regulations which may be issued pursuant to this headnote.

12. The Secretary of the Treasury is authorized to prescribe methods of analyzing, testing, sampling, weighing, gauging, measuring, or other methods of ascertainment whenever he finds that such methods are necessary to determine the physical, chemical, or other properties or characteristics of articles for purposes of any law administered by the Customs Service.

January 1967

1:11

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

- Part 1 - Live Animals
- Part 2 - Meats
A. Bird Meat
B. Meats Other Than Bird Meat
- Part 3 - Fish and Shellfish
A. Fish, Fresh, Chilled, or Frozen
B. Fish, Dried, Salted, Pickled, Smoked, or Kippered
C. Fish in Airtight Containers
D. Other Fish Products
E. Shellfish
- Part 4 - Dairy Products; Birds' Eggs
A. Milk and Cream
B. Butter, Oleomargarine, and Butter Substitutes
C. Cheeses
D. Other Milk Products
E. Poultry and Other Birds' Eggs
- Part 5 - Hides, Skins, and Leather; Furskins
A. Hides, Skins, and Leather
B. Furskins
- Part 6 - Live Plants; Seeds
A. Live Plants
B. Seeds
- Part 7 - Cereal Grains, Milled Grain Products, and Malts and Starches
A. Grains
B. Milled Grain Products
C. Malts and Starches
- Part 8 - Vegetables
A. Vegetables, Fresh, Chilled, or Frozen
B. Vegetables, Dried, Desiccated, or Dehydrated
C. Vegetables, Packed in Salt, in Brine, Pickled, or Otherwise Prepared or Preserved
D. Mushrooms and Truffles
- Part 9 - Edible Nuts and Fruits
A. Edible Nuts
B. Edible Fruits
C. Fruit Flours, Peels, Pastes, Pulps, Jellies, Jams, Marmalades, and Butters
D. Glacé Nuts, Fruits, and Other Vegetable Substances
- Part 10 - Sugar; Cocoa; Confectionery
A. Sugars, Sirups, and Molasses
B. Cocoa
C. Confectionery
- Part 11 - Coffee, Tea, Maté, and Spices
A. Coffee and Coffee Substitutes, Tea, Maté
B. Spices and Spice Seeds
- Part 12 - Beverages
A. Fruit Juices
B. Non-Alcoholic Beverages
C. Fermented Alcoholic Beverages
D. Spirits, Spirituous Beverages and Beverage Preparations
- Part 13 - Tobacco and Tobacco Products
- Part 14 - Animal and Vegetable Oils, Fats, and Greases
A. Oil-Bearing Vegetable Materials
B. Vegetable Oils, Crude or Refined
C. Animal Oils, Fats, and Greases, Crude or Refined
D. Hardened Oils, Fats, and Greases; Mixtures
- Part 15 - Other Animal and Vegetable Products
A. Products of American Fisheries
B. Edible Preparations
C. Animal Feeds
D. Feathers, Downs, Bristles, and Hair
E. Shellac and Other Lacs; Natural Gums, Gum Resins, Resins, and Balsams; Turpentine and Rosin
F. Miscellaneous Animal Products
G. Miscellaneous Vegetable Products

January 1967

1:11

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

Item	Articles	Rates of duty	
		1	2
	<p>PART 13. - TOBACCO AND TOBACCO PRODUCTS</p> <p><u>Part 13 headnotes:</u></p> <p>1. The term "wrapper tobacco", as used in this part, means that quality of leaf tobacco which has the requisite color, texture, and burn, and is of sufficient size for cigar wrappers, and the term "filler tobacco" means all other leaf tobacco.</p> <p>2. The percentage of wrapper tobacco in a bale, box, package, or other shipping unit is the ratio of the number of leaves of wrapper tobacco in such unit to the total number of leaves therein. In determining such percentage for classification purposes, the appraiser shall examine at least ten hands, and shall count the leaves in at least two hands, from each shipping unit designated for examination.</p> <p>3. Filler tobacco and scrap tobacco, which are Philippine articles, are entitled to admission free of duty under items 170.22, 170.26, 170.31, 170.36, 170.42, 170.47, and 170.62 of this part if entered on or before December 31, 1973, but the total aggregate quantity of such tobaccos entered under these items during each calendar year shall not exceed --</p> <p>(a) 5,200,000 pounds during calendar years 1963 through 1964,</p> <p>(b) 3,900,000 pounds during calendar years 1965 through 1967,</p> <p>(c) 2,600,000 pounds during calendar years 1968 through 1970, and</p> <p>(d) 1,300,000 pounds during calendar years 1971 through 1973.</p> <p>4. Cigars, which are Philippine articles, are entitled to admission free of duty under item 170.72 of this part if entered on or before December 31, 1973, but the total quantity of such cigars entered under this item during each calendar year shall not exceed --</p> <p>(a) 160,000,000 cigars during calendar years 1963 through 1964,</p> <p>(b) 120,000,000 cigars during calendar years 1965 through 1967,</p> <p>(c) 80,000,000 cigars during calendar years 1968 through 1970, and</p> <p>(d) 40,000,000 cigars during calendar years 1971 through 1973.</p> <p>5. The dutiable weight of cigars and cigarettes includes the weight of all materials which are integral parts thereof.</p> <p>6. Provisions for the free entry of certain samples of tobacco products are covered by part 5 of schedule 8.</p>		

January 1967

1:11

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

Item	Articles	Rates of duty	
		1	2
	PART 13. - TOBACCO AND TOBACCO PRODUCTS--Continued		
	Leaf tobacco, the product of two or more countries or dependencies, when mixed or packed together:		
170.01	Not stemmed.....	\$2.275 per lb.	\$2.275 per lb.
170.05	Stemmed.....	\$2.925 per lb.	\$2.925 per lb.
	Wrapper tobacco (whether or not mixed or packed with filler tobacco):		
170.10	Not stemmed.....	90.9¢ per lb.	\$2.275 per lb.
170.11	If product of Cuba.....	81.9¢ per lb. (s)	
170.15	Stemmed.....	\$1.548 per lb.	\$2.925 per lb.
	Filler tobacco (whether or not mixed or packed with wrapper tobacco):		
	When mixed or packed with over 35% of wrapper tobacco):		
170.20	Not stemmed.....	90.9¢ per lb.	\$2.275 per lb.
170.21	If product of Cuba.....	81.9¢ per lb. (s)	
	If product of the Philippines:		
170.22	If Philippine articles:		
	Within tariff-rate quota (see headnote 3 of this part).....	Free	
170.23	Other.....	81.9¢ per lb.	
170.24	Other.....	90.9¢ per lb.	
170.25	Stemmed.....	\$1.548 per lb.	\$2.925 per lb.
	If product of the Philippines:		
170.26	If Philippine articles within tariff-rate quota (see headnote 3 of this part).....	Free	
170.27	Other.....	\$1.548 per lb.	
	When not mixed and not packed with wrapper tobacco, or when mixed or packed with 35% or less of wrapper tobacco:		
	Cigarette leaf:		
170.30	Not stemmed.....	12.75¢ per lb.	35¢ per lb.
	If product of the Philippines:		
170.31	If Philippine articles within tariff-rate quota (see headnote 3 of this part)....	Free	
170.32	Other.....	12.75¢ per lb.	
170.35	Stemmed.....	50¢ per lb.	50¢ per lb.
	If product of the Philippines:		
170.36	If Philippine articles within tariff-rate quota (see headnote 3 of this part)....	Free	
170.37	Other.....	50¢ per lb.	

(s) = Suspended. See general headnote 3(b).

January, 1967

1:11

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

Item	Articles	Rates of duty	
		1	2
	PART 13. - TOBACCO AND TOBACCO PRODUCTS--Continued		
	Filler tobacco (whether or not mixed or packed with wrapper tobacco)--Continued		
	When not mixed and not packed with wrapper tobacco, or when mixed or packed with 35% or less of wrapper tobacco--Continued		
	Other, including cigar leaf:		
170.40	Not stemmed.....	16.1¢ per lb.	35¢ per lb.
170.41	If product of Cuba.....	12.6¢ per lb. (s)	
	If product of the Philippines:		
	If Philippine articles:		
170.42	Within tariff-rate quota (see headnote 3 of this part).....	Free	
170.43	Other.....	12.6¢ per lb.	
170.44	Other.....	16.1¢ per lb.	
170.45	Stemmed.....	23¢ per lb.	50¢ per lb.
170.46	If product of Cuba.....	18¢ per lb. (s)	
	If product of the Philippines:		
	If Philippine articles:		
170.47	Within tariff-rate quota (see headnote 3 of this part).....	Free	
170.48	Other.....	18¢ per lb.	
170.49	Other.....	23¢ per lb.	
	Tobacco stems:		
170.50	Not cut, not ground, and not pulverized.....	Free	Free
170.55	Cut, ground, or pulverized.....	55¢ per lb.	55¢ per lb.
170.60	Scrap tobacco.....	16.1¢ per lb.	35¢ per lb.
170.61	If product of Cuba.....	12.6¢ per lb. (s)	
	If product of the Philippines:		
	If Philippine articles:		
170.62	Within tariff-rate quota (see headnote 3 of this part).....	Free	
170.63	Other.....	12.6¢ per lb.	
170.64	Other.....	16.1¢ per lb.	
170.65	Cigarettes.....	\$1.06 per lb. + 5% ad val.	\$4.50 per lb. + 25% ad val.
170.70	Cigars and cheroots.....	\$1.91 per lb. + 10.5% ad val.	\$4.50 per lb. + 25% ad val.
170.71	If product of Cuba.....	\$1.27 per lb. + 8.5% ad val. (s)	
	If cigars the product of the Philippines:		
	If Philippine articles:		
170.72	Within tariff-rate quota (see headnote 4 of this part).....	Free	
170.73	Other.....	\$1.27 per lb. + 8.5% ad val.	
170.74	Other.....	\$1.91 per lb. + 10.5% ad val.	
170.75	Snuff and snuff flour, manufactured of tobacco, of all descriptions.....	22¢ per lb.	55¢ per lb.
170.80	Tobacco, manufactured or not manufactured, not specially provided for.....	17.5¢ per lb.	55¢ per lb.

(s) = Suspended. See general headnote 3(b).

Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1965

(In thousands of dollars. The dollar value of imports shown is defined generally as the market value in the foreign country and therefore excludes U.S. import duties, freight, and transportation insurance)

TSUS item	All countries		First supplier		Second supplier		Third supplier	
	Amount in 1965	Per cent-change from 1964	Country	Value	Country	Value	Country	Value
Mixed leaf tobacco of two or more countries (p. 3)								
170.01	1/	2/	-	-	-	-	-	-
170.05	-	2/	-	-	-	-	-	-
Wrapper tobacco (p. 5)								
170.10	3/ 1,245	4/ 71.9	Cameroon	575	Honduras	247	Nigeria	118
170.11	3/ 183	4/ -58.3	Cuba	183	-	-	-	-
170.15	5/	2/	Canada	2/	-	-	-	-
Filler tobacco (except cigarette leaf) and scrap tobacco (p. 19)								
170.20	3/	4/	-	-	-	-	-	-
170.21	3/	4/	-	-	-	-	-	-
170.22	-	2/	-	-	-	-	-	-
170.23	-	2/	-	-	-	-	-	-
170.24	-	2/	-	-	-	-	-	-
170.25	-	2/	-	-	-	-	-	-
170.26	-	2/	-	-	-	-	-	-
170.27	-	2/	-	-	-	-	-	-
170.40	1,208	1.2	Mexico	321	Dom. Rep.	290	Honduras	192
170.41	572	-58.2	Cuba	572	-	-	-	-
170.42	-	2/	-	-	-	-	-	-
170.43	2	6/	Phil. Rep.	2	-	-	-	-
170.44	-	2/	-	-	-	-	-	-
170.45	2,031	20.7	Dom. Rep.	618	Mexico	477	Brazil	423
170.46	381	-61.5	Cuba	381	-	-	-	-
170.47	-	7/	-	-	-	-	-	-
170.48	1	-95.9	Phil. Rep.	1	-	-	-	-
170.49	-	-	-	-	-	-	-	-
170.60	13,163	-7.4	Dom. Rep.	6,104	Colombia	2,612	Brazil	1,780
170.61	1,424	-21.0	Cuba	1,424	-	-	-	-
170.62	1,185	-25.3	Phil. Rep.	1,185	-	-	-	-
170.63	3,220	10.9	Phil. Rep.	3,220	-	-	-	-
170.64	-	-	-	-	-	-	-	-
Cigarette leaf (p. 37)								
170.30	1/105,160	27.2	Turkey	56,105	Greece	35,204	Yugoslavia	9,998
170.31	-	2/	-	-	-	-	-	-
170.32	5	2/	Phil. Rep.	5	-	-	-	-
170.35	-	2/	-	-	-	-	-	-
170.36	-	2/	-	-	-	-	-	-
170.37	-	2/	-	-	-	-	-	-
Tobacco stems (p. 57)								
170.50	32	41.8	Colombia	8	France	7	Ireland	7
170.55	-	-	-	-	-	-	-	-

See footnotes at end of table.

January 1967

1:11

Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1965--Continued

(In thousands of dollars. The dollar value of imports shown is defined generally as the market value in the foreign country and therefore excludes U.S. import duties, freight, and transportation insurance)

TSUS item	All countries		First supplier		Second supplier		Third supplier	
	Amount in 1965	Per cent change from 1964	Country	Value	Country	Value	Country	Value
Cigarettes (p. 61)								
170.65	46	-13.7	U.K.	31	France	6	Canada	3
Cigars and cheroots (p. 71)								
170.70	1,709	22.3	Canary Is.	594	Jamaica	397	Spain	213
170.71	-	8/	-	-	-	-	-	-
170.72	247	-36.3	Phil. Rep.	247	-	-	-	-
170.73	-	2/	-	-	-	-	-	-
170.74	-	2/	-	-	-	-	-	-
Snuff and snuff flour (p. 81)								
170.75	6	2.4	Azores	2	Portugal	2	Spain	1
Smoking tobacco and chewing tobacco (p. 85)								
170.80	3,239	-10.9	Netherlands	2,194	U.K.	716	Denmark	149

1/ Imports in 1965 from Zambia, Rhodesia, and Malawi recorded in official statistics under item 170.01 (487,386 pounds, valued at \$365,540) were subsequently classified by the Bureau of Customs as unstemmed cigarette leaf, item 170.30, and are included under that item in the appendix.

2/ No imports in 1964.

3/ A study of reported imports established that the published data are incorrect; see text.

4/ Computed from 1964 data that were adjusted subsequent to publication; see text.

5/ Less than \$500.

6/ More than 200 percent.

7/ Imports in 1964 were valued at \$96,218.

8/ Imports in 1964 were valued at \$8,051.

9/ Imports in 1964 were valued at \$498.

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