UNITED STATES INTERNATIONAL TRADE COMMISSION

WRAPPER TOBACCO

Report to the President on Investigation No. TA-201-3
Under Section 201 of the Trade Act of 1974

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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REPORT TO THE PRESIDENT

U.S. International Trade Commission,
November 5, 1975

To the President:

In accordance with section 201(d)(1) of the Trade Act of 1974 (88 Stat. 1978), the U.S. International Trade Commission herein reports the results of an investigation made under section 201(b)(1) of that act, relating to wrapper tobacco.

The investigation to which this report relates was undertaken to determine whether--

> wrapper tobacco (whether or not mixed with filler tobacco), not stemmed or stemmed, provided for in items 170.10 and 170.15 of the Tariff Schedules of the United States,

is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The investigation was instituted on June 24, 1975, upon receipt of a petition filed on May 5, 1975, by the Cigar Leaf Tobacco Foundation, Inc., Quincy, Fla.

Public notice of the institution of the investigation and hearings to be held in connection therewith was published in the Federal Register of July 1, 1975 (40 F.R. 27737). Public notice of the places and times of the hearings was published in the Federal Register of July 24, 1975 (40 F.R. 31043). Hearings were held in Tallahassee, Fla., on August 11, 1975, in Hartford, Conn., on August 13, 1975, and in Washington, D.C., on August 15, 1975. All interested parties were afforded an opportunity to be present, to produce evidence, and to be heard. A transcript of the hearings and copies of briefs submitted by interested parties in connection with the investigation are attached.

The information for this report was obtained from fieldwork, from questionnaires sent to domestic growers, importers, and cigar manufacturers, and from the Commission's files, other Government agencies, and evidence presented at the hearings and in briefs filed by interested parties.

Determination of the Commission

On the basis of its investigation, the Commission unanimously determines that wrapper tobacco (whether or not mixed with filler tobacco), not stemmed or stemmed, provided for in items 170.10 and 170.15 of the Tariff Schedules of the United States, is not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Views of Chairman Will E. Leonard and
Vice Chairman Daniel Minchew 1/

On May 5, 1975, the United States International Trade Commission (Commission) received a petition filed by the Cigar Leaf Tobacco Foundation, Inc., Quincy, Florida, requesting an investigation under section 201(b)(1) of the Trade Act of 1974 (Trade Act) with respect to imports of wrapper tobacco. The Commission, on June 24, 1975, instituted such an investigation in order to determine whether wrapper tobacco is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing an article like or directly competitive with such imported wrapper tobacco.

The petition and investigation referred to above are the second to be received and third to be instituted, respectively, by the Commision under the criteria, changed by the Trade Act, which must be met by an industry in order to be eligible for import relief. 2/ For a domestic industry to be eligible for import relief (which as used in this statement includes import restraints as well as adjustment assistance), the Trade Act essentially requires that three identifiable criteria be met:

(1) Imports of the article concerned must be entering in increased quantities.

(2) The domestic industry producing like or directly competitive articles must be seriously injured or threatened with serious injury.

1/ Commissioners George M. Moore and Italo H. Ablondi concur in the result.

2/ For a comparison of the new Trade Act criteria with the predecessor criteria of sec. 301(b)(1) of the Trade Expansion Act of 1962, see the Statement of Reasons of Chairman Leonard in Birch Plywood Door Skins: Report to the President on Investigation No. TA-201-1 . . ., USITC Publication 743, October 1975, pp. 9-12.

(3) The increased imports referred to in 1 above must be a substantial cause of the injury, or threat thereof, referred to in 2 above.

Determination

As a result of evidence obtained by the Commission during the course of this investigation (investigation No. TA-201-3), we determine that the criteria as set forth in section 201(b)(1) of the Trade Act for an industry to be eligible to receive import relief have not been met. Specifically, we find that the third criterion under section 201(b)(1), as set forth above, has not been met, i.e., that any increased imports of wrapper tobacco are not a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported wrapper tobacco.

Since the criteria of section 201(b)(1) are cumulative, the failure to satisfy any one of the criteria necessitates the making of a negative determination, no matter what the facts show with respect to the other criteria. Because the instant negative determination is based on a finding that the "substantial cause" criterion is not met, the following discussion is limited to that criterion alone, as such finding makes it unnecessary to consider other issues which may have been raised in this investigation or to discuss other criteria.

What does the "substantial cause" criterion mean?

The term "substantial cause" is new to the criteria which must be met in order for an industry in the United States to be eligible for import relief. As our negative determination in this investigation turns upon the meaning of this term, a thorough examination of the meaning of the phrase is appropriate.

The requirement that increased imports be "a substantial cause" of actual or threatened serious injury represents a relaxation of the analogous "major cause" standard employed in section 301(b)(1) of the Trade Expansion Act of 1962 (TEA), the predecessor provision to section 201(b)(1). Although neither the TEA nor its legislative history expressly defined the term "major cause", the term was generally interpreted by many--although never expressly by the Commission--to mean a cause greater than all other causes combined. 1/ In practice it and the other criteria of the TEA proved to be a difficult standard to satisfy, as illustrated by the fact that a majority of the Commission found the criteria satisfied in only 3 of the 26 industry cases completed under that act.

The new "substantial cause" criterion of section 201(b)(1) provides that a dual test be met. The Trade Act, in section 201(b)(4), defines "substantial cause" to mean "a cause which is important and not less than any other." Thus, imports must constitute both an "important"

1/ See, e.g., report of the Committee on Ways and Means, House of Representatives, Trade Reform Act of 1973, H. Rept. No. 93-571, 93d Cong., 1st sess., at p. 46 (hereinafter "Ways and Means Report"); and report of the Committee on Finance, U.S. Senate, Trade Reform Act of 1974, S. Rept. No. 93-1298, 93d Cong., 2d sess., at p. 120 (hereinafter "Finance Report"). But note that the Finance Report also recognizes, again at p. 120, that there is some indication that in recent years the Commission has moved away from this standard. See also Pianos and Parts thereof: Report to the President on Investigation No. TEA-I-14 . . ., TC Publication 309, 1969, Statement of Commissioner Leonard, p. 13.

cause of the serious injury and be "not less than any other" cause. The two terms are not synonymous. An "important" cause is not necessarily a cause "not less than any other." And, vice versa, a cause "not less than any other" is not necessarily "important". Increased imports must be both an "important" cause and "not less than any cause of the serious injury.

What is an "important" cause? The legislative histories of section 201 and of the related provision concerning eligibility for worker adjustment assistance, section 222 of the Trade Act, provide help. 1/ The legislative history of section 222 tells us that an "important" cause need not be the "major cause", but that it must be "significantly" more than a "*de minimis*" cause. 2/ The legislative history of section 201 indicates that where increased imports are just one cause of many causes of equal weight, it would be unlikely that they would constitute an "important" cause, but where imports are one of two factors of equal weight, they would constitute an "important" cause. 3/

1/ Sec. 222 of the Trade Act provides that workers shall be certified eligible to apply for adjustment assistance if the Secretary of Labor determines, *inter alia*, "that increases of imports . . . *contributed importantly* to such total or partial separation . . . ." (emphasis added). Sec. 222 defines the term "contributed importantly" to mean "a cause which is important but not necessarily more important than any other cause." Thus, sec. 222 employs the same concept of "important" cause, but it specifically excludes the concept of a cuase "not less than any cause.

2/ See the Ways and Means Report, *supra*, at pp. 53-54, and the Finance Report, *supra*, at p. 133.

3/ See the Ways and Means Report, *supra*, at pp. 46-47, and the Finance Report, *supra*, at pp. 120-121.

What is a cause "not less than any other" cause? The legislative history of section 201 provides an answer. The test is satisfied if imports are a more important cause of injury than any other cause. 1/ The test is also satisfied if imports are one of several equal causes of injury and no one cause is more important than imports. 2/ But the test is not satisfied if there is a cause of injury more important than imports. 3/

In thus explaining the meaning of "substantial cause", the Congress did not intend to set rigid, impossible standards for the Commission to meet in order to determine whether increased imports were indeed a "substantial cause" of the requisite injury or threat thereof. The Finance Report states (at pp. 120-121):

> The Committee recognizes that 'weighing' causes in a dynamic economy is not always possible. It is not intended that a mathematical test be applied by the Commission. The Commissioners will have to assure themselves that imports represent a substantial cause or threat of injury, and not just one of a multitude of equal causes or threats of injury. It is not intended that the escape clause criteria go from one extreme of excessive rigidity to complete laxity. An industry must be seriously injured or threatened by an increase in imports, and the imports must be deemed to be a substantial cause of the injury before an affirmative determination should be made.

1/ See the Ways and Means Report, *supra*, at p. 46.
2/ Id., at pp. 46-47.
3/ Id., at p. 46.

<u>"Substantial cause" criterion not satisfied in this investigation</u>

Having set out an explanation of the criterion "substantial cause", it is appropriate now to see what the facts in this investigation show with respect to the satisfaction of that criteron. For the purpose of this discussion it will be assumed, without a finding being made, that the facts as alleged by the petitioner in this investigation demonstrate that the statutory criterion of increased imports and the statutory criterion of serious injury or threat thereof have been met.

In the present case, we find that increased imports, even if an important cause of the problems being experienced by the domestic wrapper tobacco industry, are a cause significantly less than at least one other cause. Hence, the "substantial cause" criterion is not met in this investigation, since the second test of such criterion, i.e., that increased imports be not less than any other cause, is not satisfied.

In this investigation, more important than any increased imports as a cause of any serious injury to the domestic industry is the marked decline in U.S. production and consumption of large cigars. Virtually all of the wrapper tobacco consumed in the United States is used in the production of such cigars. U.S. production of large cigars peaked in the years 1964-65 following release of the Surgeon General's 1964 report on the effects of cigarette smoking on health. During those 2 years, production averaged 9.2 billion cigars annually. Production then declined to 8.2 billion units in 1966 and remained relatively stable throughout the 1966-70 period. Thereafter, production declined rapidly to 7.9 billion units in 1971, 7.5 billion units in 1972, 7.0 billion units in 1973, and 6.5 billion units in 1974. In January-August 1975, production was at an annual rate of less than 6.0 billion units. The decline in U.S. production of large cigars in the 1970's resulted primarily from changes in consumer demand. Among the factors that have caused these changes in demand are the switching of cigar smokers to other tobacco products and a shift in the product mix offered by the cigar manufacturers, perhaps attributable to price considerations. What this country needs is a good 8-cent cigar.

The fact that U.S. imports of wrapper tobacco increased during 1971-75 while U.S. farm production was declining is attributable to an increase in demand for those cigars which possessed certain distinctive characteristics of color, texture, burn, aroma, and taste best satisfied by imported wrapper. In addition, the price of domestically grown wrapper tobacco became less competitive with that of imported wrapper tobacco during this period; the price of the domestic product increased at a more rapid rate than the price of imports.

Based on a conversion factor of 1.75 pounds of wrapper tobacco per thousand cigars produced, the loss in the annual production of cigars between the rate sustained during 1966-70 and the rate in 1975 (about 2.2 billion units) represented a decline in the estimated demand for wrapper tobacco or its equivalent in manufactured wrapper of 3.85 million pounds on a stemmed-weight basis, or more than 5 million pounds on a farm-sales-weight basis. This large loss in demand for wrapper tobacco which resulted from reduced U.S. sales of large cigars was a more important factor contributing to whatever injury has been experienced by the domestic industry than any increased imports of wrapper tobacco. Such imports peaked during January-August 1975 at an annual rate of 1.5 million pounds on a farm-sales-weight basis.

Conclusion

As indicated earlier, we determine that the requirements of section 201(b)(1) of the Trade Act have not been met. Specifically, we find that criterion 3 above, "substantial cause", has not been satisfied, i.e., that any increased imports of wrapper tobacco are not a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with imported wrapper tobacco.

Views of Commissioners Catherine Bedell and Joseph O. Parker

On May 5, 1975, the United States International Trade Commission received a petition filed by the Cigar Leaf Tobacco Foundation, Inc., Quincy, Fla., requesting an investigation under section 201 of the Trade Act of 1974 with respect to imports of cigar wrapper tobacco. On June 24, 1975, the Commission instituted an investigation to determine whether wrapper tobacco is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or the threat thereof, to the domestic industry producing an article like or directly competitive with such imported tobacco.

Section 201(b)(1) of the Trade Act requires that each of the following conditions be met before the Commission can recommend import relief to the President:

(1) That imports of an article into the United States are increasing (either actually or relative to domestic production);

(2) That a domestic industry producing an article like or directly competitive with the imported article is being seriously injured or threatened with serious injury; and

(3) That increased imports are a substantial cause (i.e., an important cause and not less than any other cause) of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

On the basis of the evidence obtained by the Commission in the instant investigation, we have found that the third condition set forth above, i.e., that increased imports are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article, has not been satisfied. Since the criteria for an affirmative finding in section 201 investigations are expressed in the conjunctive, and failure to satisfy any one of the three criteria necessitates a negative determination, we have determined in the negative in this proceeding.

A more important cause of the alleged injury to the domestic industry than imports in this investigation is the marked decline in U.S. production and consumption of large cigars. 1/ Virtually all of the wrapper tobacco consumed in the United States is used in the production of such cigars. U.S. production of large cigars peaked in the years 1964-65, when it averaged 9.2 billion units annually. Production then declined to 8.2 billion units in 1966 and remained relatively stable throughout the 1966-70 period. Thereafter production declined rapidly to 7.9 billion units in 1971, 7.5 billion units in 1972, 7.0 billion units in 1973, and 6.5 billion units in 1974. In January-August 1975, production was at an annual rate of less than 6.0 billion units.

The high level of cigar production during the years 1964-65 is attributable to the U.S. Surgeon General's report on smoking and health which was issued in January 1964; this report found that cigar smoking was not as injurious to a person's health as cigarette smoking. The switch in smoking habits from cigarettes to large cigars was short lived however, and production of these cigars declined sharply in 1966.

1/ Large cigars weigh more than 3 pounds per thousand, in contrast with small or cigarette-size cigars that weigh 3 pounds or less per thousand. Wrapper tobacco is not used in the manufacture of small cigars.

Production and consumption stabilized at the 1966 level for a 5-year period and then in 1971 began a sharp and continuing decline as more and more cigar smokers reduced their purchases of cigars in favor of certain other tobacco products for which comsumption increased during 1971-75.

The fact that U.S. imports of wrapper tobacco increased during 1971-75 while U.S. farm production was declining is attributable to a continuing strong demand for those cigars which possessed certain distinctive characteristics as to color, texture, burn, aroma, and taste which were best satisfied by subtropical imported wrapper. In addition, the price of domestically grown wrapper tobacco became less competitive with that of imported wrapper during this period because the price of the domestic product increased at a more rapid rate than the price of imports. Although price is an important consideration in the purchaser's selection of wrapper tobacco, it is not necessarily the determining factor, as evidenced by the extremely wide range of prices that are applicable to various qualities of both imported and domestically grown wrapper.

Based on a conversion factor of 1.75 pounds of wrapper tobacco per thousand cigars produced, the loss in the annual production of cigars between the rate sustained during 1966-70 and the rate in 1975 (about 2.2 billion units) represented a decline in the estimated demand for wrapper tobacco or its equivalent in manufactured wrapper of 3.85 million pounds on a stemmed-weight basis or of more than 5 million pounds on a farm-sales-weight basis. This large loss in demand for wrapper tobacco which resulted from reduced U.S. sales of large cigars was a more important factor contributing to whatever injury has been experienced by the domestic industry than imports of wrapper tobacco, which peaked during January-August 1975 at an annual rate of 1.5 million pounds on a farm-sales-weight basis. If the loss in demand for wrapper tobacco resulting from the decline in U.S. cigar sales since 1968 is compared with the absolute increase in U.S. imports of wrapper tobacco during the same period (an increase of about 1 million pounds), it becomes even more evident that the imports do not constitute a substantial cause of injury in this case. In addition exports of wrapper tobacco grown in Georgia-Florida, the type produced by the petitioner, declined from 2.1 million pounds in 1968 to .5 million pounds in 1974. This export loss was substantially greater than the increase in imports for the same period.

We conclude, therefore, on the basis of the facts developed during this investigation that wrapper tobacco is not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

INFORMATION OBTAINED IN THE INVESTIGATION

Description and Uses

Wrapper tobacco is tobacco of the kind and quality commonly used for cigar wrappers. Wrapper leaf is employed for the smooth outer wrapping of cigars. It is thin and elastic, fine textured, even colored, free from large veins, and neutral in taste when burned, or with a flavor blending well with that of the filler and binder used in cigars. It also burns evenly.

Wrapper tobacco is produced in the United States under conditions of high atmospheric moisture, diffused sunlight, and a minimal spread between day and night temperatures during the growing season. This condition is obtained by enclosing the field under vast tents of lightweight cloth, light in color, stitched to wire held by poles generally 8 or 9 feet tall. Such tobacco is called shade-grown. This tobacco is differentiated by type, which means that the tobacco has distinct characteristics caused by differences in varieties, soil, and climatic conditions. There are two types of shade-grown tobacco produced in the United States. Type 61 shade-grown tobacco is grown principally in the Connecticut Valley section of Connecticut and Massachusetts. Type 62 shade-grown tobacco is grown principally in southwestern Georgia and in the central part of northern Florida.

The Georgia-Florida wrapper (type 62) is generally light tan, while the Connecticut Valley wrapper (type 61) is light brown in color. The Georgia-Florida leaf is a larger, more tender leaf than the Connecticut Valley leaf, but does not burn as well and tends to have a bitter taste that makes it suitable for use only on the low-priced cigars, i.e., those retailing for less than 10 cents each. The Connecticut Valley leaf is used to produce cigars that retail over a wide price range, from as low as 2-1/2 cents each to some of the more expensive. Both areas also produce some candela tobacco, which is tobacco that has been put through a rapid cure under high heat to produce a leaf of greenish color; this tobacco is used mainly on the higher priced cigars.

The growing and processing of wrapper tobacco involves many individual hand operations. The seeds are hand-sown in seedbeds and are nursed until they become plants, a process that takes about 3 months. The plants are then hand-transplanted in the fields by people sitting on the back of a power-driven machine. The transplanting takes place in late March in the Georgia-Florida area and late May in the Connecticut Valley. The tobacco is allowed to mature for 5 to 8 weeks, during which time it must be watered, fertilized, and cultivated. After 3 to 6 weeks each individual plant must be tied with strings to the top of the shade, and then each week thereafter until it is harvested the string must be wrapped around the plant as it continues to mature.

Wrapper tobacco is harvested by a method known as priming. In this method, picking is begun at the bottom of the stalk, three or four leaves being picked. The fields are normally gone over six or seven times in order to pick the leaves at the right stage of ripeness. The tobacco is then taken to the barn, where it is strung together on a stick by a machine that passes a needle through the stem and strings about 40 leaves on each stick. The sticks are then placed on tier poles in the barn, where it is cured under natural weather conditions with supplementary heat used to protect the leaves and maintain the temperature at a favorable level. The curing process takes from 6 to 9 weeks, during which time the leaves become dry and brittle. The leaves can easily absorb moisture, so the grower waits to take them down from the tiers until damp weather has made the leaves soft and pliable enough to be handled without breaking. The tobacco is then packed in large boxes and delivered to a packinghouse. After being weighed in and repacked in cardboard boxes, the tobacco is placed in rooms that are heat- and humidity-controlled, where it undergoes a fermentation process known as sweating. This process, which takes about 21 to 30 days, develops the characteristic smoking quality of the tobacco and removes some of the imperfections in the leaves.

In the Georgia-Florida area, the packinghouse is either owned by a cigar manufacturer or his representative or by an independent packer that packs tobacco for different cigar manufacturers. After fermentation, the tobacco is either hand-sorted to separate the leaves suitable for cigar manufacturing from the damaged and discolored leaves and then repacked and put into storage until required by the cigar manufacturer, or it is stored in the same boxes it was fermented in and not sorted until it is required by the manufacturer. The Georgia-Florida wrapper is not graded in the same manner as the Connecticut Valley wrapper (see following paragraph).

In the Connecticut Valley, the cigar manufacturers pack and ferment only the tobacco grown on the farms they own or lease. The growers that have contracts with these manufacturers do their own fermenting and then deliver the tobacco to the manufacturer. The independent growers, those growers that do not have a contract with a cigar manufacturer, deliver their tobacco to a packer that processes it under a co-op type of arrangement. Almost all Connecticut Valley tobacco is shipped to Puerto Rico, where it is graded on the basis of soundness, body, degree of injury, and shade and uniformity of color, with the grades separated according to leaf length at intervals of about 1 inch. The tobacco is then packed by grades and stored until the cigar manufacturer requires it for its own production or has found a market for the tobacco it is not going to use, or a buyer is found for the tobacco grown by the independent growers.

The best leaves of the wrapper tobacco produced in Georgia-Florida are used in cigar manufacture in the United States. The discolored leaves are exported, and the damaged leaves are used in the production of looseleaf chewing tobacco. The export market is more important for the wrapper tobacco produced in the Connecticut Valley. Some of all the different grades grown there is exported as well as used domestically on a wide price range of cigars.

Wrapper tobacco, which provides the smooth outer surface of a cigar and comprises about 10 percent of the finished weight, is wrapped spirally around the binder, which binds and encloses the core or body of the cigar, shaping and sealing it. This is done by stretching the wrapper leaf across a die of the shape needed to completely wrap the type of cigar being produced by the machine.

In recent years, manufactured tobacco sheet has been replacing natural wrapper tobacco on some low- and middle-priced cigars. The sheet is made by grinding filler and binder tobaccos into a fine powder, mixing it with a cohesive agent, and then rolling it into a flat sheet of uniform thickness and quality. Through research, the cigar manufacturers have been able to develop a tobacco sheet that has the taste and aroma of the natural leaf but better burning quality.

The use of manufactured tobacco sheet results in substantial savings in both leaf and labor costs. When a natural wrapper leaf is used, there are trimmings that go into production of looseleaf chewing tobacco, a lower valued product, whereas the tobacco sheet is cut in a way that makes use of the entire sheet. The manufactured sheet is fed automatically into the cigarmaking machine, allowing one worker to operate two or three machines, whereas a worker can operate only one machine when he must hand-feed the natural wrapper to the machine.

The Question of Increased Imports

U.S. imports

Most wrapper tobacco imported into the United States enters under TSUS item 170.10 (wrapper tobacco, not stemmed) and is currently dutiable at 90.9 cents per pound. Imports of stemmed wrapper tobacco (item 170.15), which are currently dutiable at $1.548 per pound, are generally minimal or nil (table 1). It is believed that some misclassified imports of wrapper tobacco enter under item 170.20 (filler tobacco mixed with over 35 percent wrapper tobacco, not stemmed).

During the early 1960's, Cuba supplied nearly all U.S. imports of wrapper tobacco. In 1961, 638,000 pounds (packed weight) of wrapper tobacco, valued at $2.9 million, was imported into the United States; of this total, 631,000 pounds, valued at $2.85 million, was from Cuba. The embargo, effective February 1962, on U.S. imports from Cuba, including tobacco, did not apply to tobacco already entered but held in warehouses pending duty-paid withdrawal. For this reason, some Cuban wrapper tobacco continued to enter U.S. trade channels until about 1965. The Cuban embargo, coupled with a general world scarcity of wrapper tobacco, in time led to decreased U.S. imports of wrapper tobacco, and by 1965 only 185,000 pounds, valued at $1.1 million, was imported.

The development of wrapper tobacco production in Nicaragua, Honduras, and the Cameroon Republic led to increased U.S. imports 1/ of wrapper tobacco, from a total of 362,000 pounds, valued at $1.6 million, in 1967 to a total of 972,000 pounds, valued at $3.8 million, in 1974 (table 2). By 1974, Nicaragua, Honduras, and the Cameroon Republic were by far the principal sources of U.S. imports of wrapper

1/ Import data should be multiplied by 1.16 in order to obtain a farm-sales-weight equivalent.

tobacco, accounting for 90 percent of the quantity and 89 percent of the value of imports in that year.

Imports of wrapper tobacco from Nicaragua increased steadily from 96,000 pounds, valued at $228,000, in 1969 to 488,000 pounds, valued at $1.4 million, in 1974. Imports from Honduras increased from 204,000 pounds, valued at $677,000, in 1969 to 335,000 pounds, valued at more than $1 million in 1971, but then declined erratically to 209,000 pounds, valued at $609,000, in 1974. Imports of wrapper tobacco from the Cameroon Republic increased from 105,000 pounds, valued at $492,000, in 1969 to 173,000 pounds, valued at more than $1.3 million, in 1974.

The ratio of imports to apparent consumption of wrapper tobacco increased irregularly from 5.3 percent in crop year 1969/70 to 17.6 percent in crop year 1974/75 (table 3). The largest increase occurred between crop year 1973/74 and crop year 1974/75, when the ratio of imports to consumption increased from 10.3 percent to 17.6 percent. The increase in the ratio in crop year 1974/75 was mainly a result of the large decline in disappearance of domestically produced wrapper tobacco during that crop year. During the same period, the ratio of imports to production of wrapper tobacco increased from 4.3 percent in crop year 1969/70 to 11.6 percent in crop year 1974/75 (table 4). The largest increase in the ratio occurred between crop years 1970/71 and 1971/72, when the ratio increased by over three percentage points.

The average unit value 1/ of Nicaraguan wrapper tobacco imported into the United States during the period 1967-74 ranged between $2.38

1/ Unit values represent customs valuation; insurance freight, duty, and other charges are not included.

per pound in 1969 and $3.04 per pound in 1970, while the average unit value 1/ of Honduran wrapper tobacco ranged between $2.91 per pound in 1972 and 1974 and $3.89 per pound in 1967. The average unit value 1/ of wrapper tobacco imported from the Cameroon Republic ranged between $4.69 per pound in 1969 and $8.14 per pound in 1973 during the period 1967-74 and has always been well above the average unit value of wrapper tobacco imported from Nicaragua or Honduras.

Information obtained by the Commission indicates that at least one-third of U.S. imports of wrapper tobacco from Nicaragua and Honduras in 1974 consisted of candela wrapper. The price of imported candela wrapper from Central America is believed to be slightly higher than that of natural wrapper from that area.

The principal customs districts through which imported wrapper tobacco enters the United States are generally Philadelphia, Tampa, and San Juan (Puerto Rico).

General imports of wrapper tobacco in recent years have been markedly higher than imports for consumption (table 5). 2/ This indicates that relatively large quantities of imported wrapper tobacco are presently being stored in customs bonded warehouses, pending withdrawal.

1/ Unit values represent customs valuation; insurance freight, duty, and other charges are not included.

2/ Imported merchandise is reported as "general imports" and as "imports for consumption." Imports for consumption are a combination of entries for immediate consumption and withdrawals from warehouses for consumption. General imports are a combination of entries for immediate consumption and entries into customs bonded warehouses.

U.S. importers

There are eight major U.S. importers of wrapper tobacco. Five of the importers are cigar manufacturers.

Nicaraguan and Honduran wrapper tobacco is imported either by U.S. leaf dealers or directly by U.S. cigar manufacturers. The largest importer of wrapper tobacco from Nicaragua and Honduras during the 1970-74 period is a leaf dealer which holds interests in tobacco farms in both Nicaragua and Honduras. There are four other major importers of wrapper tobacco from Nicaragua and Honduras; all are cigar manufacturers. Imports from Nicaragua and Honduras by two of these manufacturers increased steadily during the 1970-74 period, while imports by the other two during this period were erratic.

U.S. cigar manufacturers accounted for most U.S. imports of Cameroon wrapper tobacco during the 1970-74 period. Cameroon wrapper tobacco is generally imported through leaf dealers in Europe.

<u>Factors affecting competitiveness of U.S.-produced and imported wrapper tobacco, other than price</u>

The quality of imported wrapper tobacco varies widely, as does the quality of domestic wrapper tobacco. Cameroon wrapper tobacco is considered by domestic cigar manufacturers to be of far better quality than wrapper tobacco imported from the other two major U.S. sources of imported wrapper tobacco, Nicaragua and Honduras. However, Cameroon wrapper tobacco, which is sun-grown, is also unlike either U.S.-grown or Central American wrapper tobacco. Cameroon wrapper tobacco, imports of which were valued at an average of $7.78 per pound in 1974, is used on some of the finest quality cigars, while Nicaraguan wrapper tobacco, imports of which were valued at an average of $2.92 per pound in 1974, and Honduran wrapper tobacco, with an average import value of $2.91 per pound in 1974, are used on cigars selling in a much wider price range.

The price ranges of cigars upon which Nicaraguan and Honduran wrapper tobacco are used overlap the various price ranges of cigars upon which Georgia-Florida wrapper tobacco and Connecticut Valley wrapper tobacco are used. However, Nicaraguan and Honduran wrapper tobacco (particularly the dark-cured, natural wrapper) have a somewhat different color, texture, taste, and burn than Georgia-Florida and Connecticut Valley wrapper tobacco 1/ and are seldom used to replace either of these types of domestic tobacco in domestic cigar manufacture. They are, however, used to develop different lines of cigars in competition with cigars manufactured with the domestic wrapper tobacco.

1/ As reported in testimony before the U.S. International Trade Commission and in other information obtained by the Commission.

When the reputation of a particular brand of cigar (composed of certain blends of filler and binder tobaccos covered with a certain type of wrapper) has become established, the manufacturer attempts to change that cigar as little as possible, for fear of alienating the smoker to whom that particular cigar appeals.

There are some small U.S. manufacturers which prior to the Cuban embargo made cigars composed entirely of Cuban tobacco. After the Cuban embargo, these manufacturers searched for substitute tobaccos which might have approximately the same qualities and acceptability as the Cuban tobaccos (and with respect to wrapper tobacco, Cuban candela wrapper). Though the manufacturers temporarily turned to Georgia-Florida and Connecticut candela wrapper tobacco, the usage of such tobacco diminished substantially when candela wrapper tobacco from Central America was found by the manufacturers to be closer in quality and taste to the Cuban candela wrapper tobacco. For these manufacturers, quality and acceptability were far more important than price in the decision to use Central American wrapper tobacco.

Many cigar manufacturers maintain that consumer acceptability of a given wrapper is often more important than price in the manufacturer's decision as to what type of wrapper to use on a given cigar. Some manufacturers have paid premium prices for wrapper tobacco in order to continue producing an acceptable cigar which would not decline in sales. For example, Cameroon wrapper tobacco, despite the fact that it is extremely expensive, continues to be used on high-priced cigars because that type of wrapper tobacco is apparently preferred by smokers of those lines of cigars. However, consumer acceptability of a given wrapper is generally more important for higher priced cigars than for lower priced cigars.

In lower priced cigars, continuity and acceptability of a wrapper are important factors in a manufacturer's decision as to what type of wrapper to use on a given cigar. However, as wrapper prices rise, a point is reached where it is no longer economically feasible to continue utilizing a given wrapper on a given cigar without raising the price of the cigar. Since manufacturers have associated increased cigar prices with declines in sales and revenue, they have usually opted to use cheaper wrappers (sometimes imported wrapper tobacco, sometimes manufactured wrapper) in order to avoid raising the price of the cigar.

Foreign producers

In the early 1960's, nearly all U.S. imports of wrapper tobacco came from Cuba. The U.S. embargo on products from Cuba (effective in February 1962) was followed by the departure from Cuba of many businessmen and technicians, including experts in tobacco production. Some of these tobacco experts saw the potential of growing tobacco leaf in Central America, where certain areas possessed the appropriate climate and soil for growing tobacco.

Nicaragua.--About 1964, exiled Cuban technicians, in connection with Nicaraguans, began to develop and expand wrapper tobacco production in Nicaragua. By 1966, the Nicaraguan Government had instituted a 3-year plan for the expansion of the cigar tobacco industry. The Inter-American Development Bank provided financial and technical assistance for tobacco production in Nicaragua in order to help provide a boost to the country's overall economic development.

By the crop year 1970/71, 20 growers were engaged in production of shade-grown wrapper tobacco in Nicaragua; in that year about 1.6 million pounds of wrapper tobacco was produced on 1,162 acres. By crop year 1974/75, 25 firms or individuals were engaged in the growing of wrapper tobacco. During crop year 1974/75, 3.6 million pounds of shade-grown and 0.4 million pounds of sun-grown wrapper tobacco were produced on 1,824 and 282 acres, respectively.

The average grower's cost per acre of wrapper tobacco in Nicaragua was estimated to be between $1,412 and $1,582 for their crop years 1970/71 and 1971/72, $1,751 for 1973/74, and $2,034 for 1974/75.

During the period 1964-72, the wrapper tobacco industry in Nicaragua operated at a loss every year. The National Development Institute (Instituto de Fomento Nacional--INFONAC), which had helped to develop the wrapper tobacco industry and had financed all growers since the industry's inception, restructured all the loans, granting 20-year terms and lowering the annual interest rate from 11 percent to 2 percent in order to avoid bankruptcy in the industry. 1/

The marketing of wrapper tobacco grown in Nicaragua is in the hands of importers and dealers in the United States. 1/ The U.S. importers and dealers have recently begun to promote the marketing of the Nicaraguan crop in Europe and Japan, in order to lessen the dependence of the Nicaraguan industry on the U.S. market. During the period 1970-74, exports of Nicaraguan wrapper tobacco to the United States ranged between 66 and 77 percent, by weight, of total Nicaraguan wrapper tobacco exports. Nicaragua's next most important customers for wrapper tobacco in 1974 were Honduras and West Germany.

Honduras.--In Honduras, the National Development Bank of Honduras encouraged companies to enter into production of wrapper tobacco in the mid-1960's. Financial and technical assistance was provided by the Inter-American Development Bank. The Honduran wrapper tobacco industry became the second largest source of U.S. imports of wrapper tobacco by 1974.

Five companies account for about 99 percent of cigar wrapper leaf production and trade in Honduras. One of these (the Oliva Tobacco Co.)

1/ As reported in an Aug. 7, 1975, telegram from the Foreign Agricultural Service, U.S. Department of Agriculture.

is a subsidiary of a U.S. firm, and the other four have U.S. connections and financing. 1/ Most of the production goes to the United States.

A National Development Bank study estimated production costs for crop year 1974/75 in Honduras to be $1,548 per acre for shade-grown, flue-cured tobacco and $1,482 per acre for shade-grown, air-cured tobacco. However, a separate government study 1/ estimated the crop year 1970/71 average production costs of wrapper tobacco to be $1,713 per acre. There are no subsidy or support programs, but the National Development Bank, following a period when lack of marketing know-how resulted in large losses and debts in the wrapper tobacco industry, has sometimes forgiven the interest on loans in order to avoid foreclosure.

Cost elements.--Central American growers of wrapper tobacco have several cost advantages over U.S. growers. The major advantage is in labor costs. The average hourly wage in agriculture in Nicaragua in 1974 was less than one-third of the minimum hourly wage in agriculture in the United States. A second advantage is the climate in Central America, which enables growers to extend the planting season, thus permitting the growers to rotate and reuse their tobacco barns.

1/As reported in an Aug. 4, 1975, telegram from the Foreign Agricultural Service, U.S. Department of Agriculture.

The Question of Serious Injury to the Domestic Industry

U.S. producers

Georgia-Florida.--The Georgia-Florida area is the smaller of the two areas in which wrapper tobacco is produced in the United States, accounting for 36 percent of the acreage harvested in the period 1969/70 1/ to 1975/76 (tables 6 and 7). During this period, the acreage harvested in the Georgia-Florida area declined from 4,950 acres in crop year 1969/70 to 1,100 acres in crop year 1975/76. In crop year 1969/70 there were 149 growers in the area, but there were only 55 growers in crop year 1975/76.

Most of the present growers are small farmers who planted acreages ranging from 2 to 45 acres in crop year 1975/76. Almost two-thirds of them planted 20 acres or less. Almost all of these farmers grow their tobacco under contract for a cigar manufacturer which provides advance financing that enables the grower to meet some of his production costs.

Three cigar manufacturers (Jno. H. Swisher & Son, Inc., Havatampa Corp., and Consolidated Cigar Corp.) contracted for most of the tobacco produced in crop year 1975/76. Swisher and Havatampa also grew tobacco on farms they owned or leased. In the period 1970/71 to 1974/75, farms owned or leased by cigar manufacturers accounted for almost a tenth of the acreage harvested, but in crop year 1975/76 such farms accounted for almost a quarter of the acreage planted. The International Trade Commission has been informed by Jno. H. Swisher & Son, Inc., that this firm will not grow or contract for any Georgia-Florida wrapper tobacco

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1/ In the United States, the crop year for wrapper tobacco begins on July 1 and ends the following June 30.

in crop year 1976/77. The Havatampa Corp. intends to make a substantial reduction in the acreage they plan to grow and contract for, while the Consolidated Cigar Corp. plans to increase the acreage it contracts for. 1/ These actions would reduce the total acreage planted in Georgia-Florida in crop year 1967/77 to under 400 acres.

Connecticut Valley.--In the Connecticut Valley there are presently about 22 growers of type 62 wrapper tobacco, two fewer than the number of growers in crop year 1969/70. Three of these growers are cigar manufacturers (Consolidated Cigar Corp., Culbro Tobacco Division of General Cigar Co., Inc., and Bayuk Cigars, Inc.). They owned or leased more than 2,700 of the 4,500 acres harvested in crop year 1975/76 (table 8). In the period 1970/71 to 1974/75, the farms owned or leased by cigar manufacturers accounted for 60 percent of the acreage harvested. In crop year 1975/76, the remaining growers had acreage that ranged between 32 and 500 acres. Some of these growers produce under a contract from one of the cigar manufacturers; the manufacturer generally provides some of the funds the farmers need to finance their production costs. The other growers are independent producers that do not have contracts with any cigar manufacturers. These growers must obtain their own financing to pay their production costs and then try to find a market for their tobacco after it has been produced. A group of these growers have entered together into a co-op type of arrangement that processes and grades their tobacco. The organization keeps separate records for the disposition of the tobacco produced by each grower and

1/ Copies of letters from these three cigar manufacturers stating their intentions for crop year 1976/77 are presented in appendix B.

then finds markets for this tobacco with much of it being exported, especially the higher grades.

U.S. farm production

Georgia-Florida.--The Georgia-Florida area has produced 40 percent of U.S. output of wrapper tobacco in recent years. Estimated production in that area in the current 1975/76 crop year, however, is expected to be about 20 percent of the total.

Production of Georgia-Florida wrapper tobacco has been steadily declining in recent years. It reached its peak of 9.3 million pounds in crop year 1960/61, then began a decline reversed by the Surgeon General's report on cigarette smoking that caused a temporary switch to cigars. A second peak was reached in crop year 1965/66, and Georgia-Florida production has been declining steadily since crop year 1967/68. Between the crop years 1969/70 and 1975/76, production declined from 7.8 million pounds to an estimated 1.8 million pounds.

As a result of the decline in farm production there has been a substantial idling of productive facilities. In the 4-county area of Georgia and Florida where wrapper tobacco has traditionally been produced, there are approximately 7,000 acres of idle tobacco shades, more than 900 tobacco barns presently not in use, about 20 idle packing houses, and several hundred tenant houses. 1/ Growers of wrapper tobacco have no alternative uses for the stringing machines (costing $800 each) and gas heaters that had been used in the curing barns. It was estimated by a witness for the petitioner that the value of

1/ Transcript of the Tallahassee hearing, p. 54.

idle acreage and equipment previously used for the production of wrapper tobacco in Gadsden County, Florida, was at least $13.5 million in 1975--idle shade land valued at $4 million, idle barns at $8 million, and irrigation equipment at $1.5 million. 1/ In addition, idle packing-houses are valued at an estimated $1 million. 2/ The 1975 loss in county taxable property in Gadsden County alone was $2.5 million, which represents a loss of more than $33,000 in tax revenue to the county. 3/

Production of Georgia-Florida wrapper tobacco has been regulated in two periods by Federal marketing agreements. The first marketing agreement was issued in 1952 and remained in effect for the 1952, 1953, and 1954 crops; a second marketing agreement that became effective beginning with the 1962 crop has remained in effect since. Both marketing agreements were issued by the Secretary of Agriculture at the request of the growers, who found themselves with a supply of tobacco almost three times the annual use. 4/ The agreements curtailed production by limiting the number of leaves that could be harvested to 18 leaves per stalk. Although the second agreement is still in effect, the leaf-count limitation has been suspended for the past 3 crop years, 1973/74, 1974/75, and 1975/76, because of bad weather and the large drop in acreage. 5/

Costs of producing wrapper tobacco in the Georgia-Florida area rose from an average of $3,390 per acre in crop year 1969-70 to more than $7,000 per acre in crop year 1975/76.

1/ Transcript of the Tallahassee hearings, p. 30.
2/ Ibid., p. 57.
3/ Ibid., p. 72.
4/ Ibid., p. 54.
5/ Petitioner's exhibit "L".

The capital investment per acre needed for production of wrapper tobacco is high. Capital investment was estimated to be between $3,000 and $4,000 per acre in the Georgia-Florida area in 1969. 1/ About half of this investment consisted of housing for workers and curing barns; less than one-quarter of the investment consisted of machinery and equipment (tractors, etc.), which normally account for a large portion of the capital investment in other agricultural crops. Shade construction, irrigation, and land are the remaining important capital investments needed for the production of wrapper tobacco. Once the capital investment is made, it is very difficult to utilize the barns, shade, land, and equipment in the production of any agricultural product other than wrapper tobacco.

The cost of labor is a major operating cost to the grower of wrapper tobacco. In the Georgia-Florida area, wages accounted for about 36 percent of total operating costs per acre in 1970, and about 38 percent in 1974. When supplementary labor costs are added (such as social security, housing, transportation for workers, and medical expenses for some workers), the cost of labor represents at least 40 percent and perhaps almost 50 percent of the total operating cost of growing an acre of wrapper tobacco.

The cost of materials, which in Georgia-Florida increased from about 31 percent of the total cost per acre in 1970 to about 35 percent of the total cost per acre in 1975, is also a major cost for

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1/ C. V. Plath, Florida Shade Tobacco Economics of Production, 1969, Agricultural Economic Report 11, Department of Agricultural Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville.

the grower of wrapper tobacco. Prices of fertilizer and cheesecloth, perhaps the two most important materials in terms of cost, have at least doubled since 1969, and the cost of barn gas has nearly tripled during the same period. In addition to high costs of material and increasing labor costs, growers must bear the costs of insurance, depreciation, interest, and taxes.

Because of the high costs involved in the production of wrapper tobacco, cigar manufacturers that have contracts with growers generally extend operating credit to the growers. Usually the grower receives well over 50 percent of his annual cost per acre in advance.

Connecticut Valley.--Production of Connecticut Valley wrapper tobacco reached a peak in crop year 1965/66 and has been fluctuating irregularly since. In crop years 1969/70 to 1975/76, production ranged from 9.3 million pounds to 5.1 million pounds. Production of Connecticut Valley wrapper tobacco has not declined by as much proportionally as production of Georgia-Florida wrapper tobacco. Production costs of wrapper tobacco in the Connecticut Valley rose from approximately $5,000 per acre in crop year 1970/71 to more than $7,000 per acre in crop year 1975/76.

Candela wrapper tobacco.--In the 1974/75 crop year in Georgia-Florida, about 5 percent of wrapper tobacco production consisted of candela wrapper; candela wrapper production in the Georgia-Florida area has decreased from the equivalent of about 1,000 acres a few years ago to the present equivalent of under 100 acres. 1/ Candela wrapper

1/ Transcript of the Tallahassee hearing, pp. 142, 397.

production in the Connecticut Valley has declined from the equivalent of an estimated 200 acres in the mid-1960's to the present equivalent of under 100 acres. Though production of candela wrapper has declined both in the Georgia-Florida area and in the Connecticut Valley, candela wrapper has never accounted for a major portion of total wrapper tobacco production in either area. It has been estimated that about 50 to 60 percent of Central American wrapper tobacco production consists of candela wrapper. 1/ It is generally agreed that usage of candela wrapper in cigar production is on the decline relative to usage of natural wrapper.

U.S. exports

Exports have provided an important outlet for wrapper tobacco. Exports for crop years 1969/70 to 1974/75 ranged from 1.9 million to 4.4 million pounds a year (farm-sales-weight basis), amounting to 12 to 40 percent of U.S. production. Exports of Georgia-Florida wrapper tobacco, ranging from 0.4 million to 0.9 million pounds per year during this period, accounted for 10 to 16 percent of the production in that area. Exports of Connecticut Valley wrapper tobacco ranged between 1.0 million and 3.9 million pounds and accounted for 11 to 55 percent of that area's annual production.

1/ Transcript of the Tallahassee hearings, p. 319.

Exports of Georgia-Florida wrapper tobacco accounted for 20 percent of all the exports of wrapper tobacco in crop years 1969/70 to 1974/75. Most of the exports of this tobacco consist of the off-color, lower priced grades that are not suitable for cigar manufacture. The principal market for this tobacco is West Germany (table 9), where the leaf is painted to give it a uniform color and then used in the manufacture of low-priced cigars. Other important export markets are Canada, the Dominican Republic, and Belgium. The quality of the tobacco exported to Canada has changed from low-priced grades shipped in calendar years 1970 and 1971 to the more expensive top grades in the last 3 years. The tobacco exported to the Dominican Republic has consisted of some of the higher grades of this tobacco, while that shipped to Belgium has comprised the very cheap damaged leaves and the off-color leaves.

Most of the Connecticut Valley wrapper tobacco that is exported is the top-quality leaf that commands premium prices (table 10). The principal markets for this tobacco are the United Kingdom, the Dominican Republic, Canada, the Netherlands, the Canary Islands, France, and Jamaica. The tobacco exported to the United Kingdom, Jamaica, and, in some years, the Netherlands appears to be of the highest quality, with unit values almost double those of the shipments to most of the other countries.

In the Georgia-Florida area, much of the tobacco that is exported is handled by a cigar manufacturer that has bought the farmers' entire crop and must find a market for the tobacco that is not suitable for cigar manufacture. Much of the Connecticut Valley wrapper tobacco that is exported is produced by a group of independent growers that combine their crops for processing and grading and then sell it in any market where there is a demand for it. There is also some exporting of wrapper tobacco by U.S. cigar manufacturers that have the leaf sorted and graded in the foreign country and then either re-import it for use in one of their domestic factories or have it used on cigars that are produced in the foreign country. The company then imports these foreign-made cigars for distribution through their own marketing channels.

U.S. stocks

Total U.S. stocks of domestically produced wrapper tobacco on hand at the beginning of the 1975/76 crop year--an estimated 15.7 million pounds--were at their second lowest level in the last 15 years. Stocks of the Georgia-Florida wrapper tobacco, an estimated 6.2 million pounds, were at their lowest level, while stocks of the Connecticut Valley wrapper tobacco, estimated 9.5 million pounds, were at their second lowest level in the period since crop year 1960/61.

Stocks of wrapper tobacco have been declining in recent years as cigar manufacturers have been trying to reduce their inventories of natural wrapper tobacco, the result of the decline in large cigar production and the switch to manufactured sheet wrapper on some lines of cigars. Based on estimated domestic usage in crop year 1974/75, the July 1, 1975, stocks of all wrapper tobacco represent more than 2.5 years' usage. The stocks of the Georgia-Florida wrapper tobacco would last for 2 years and those of the Connecticut Valley wrapper tobacco, more than 3 years.

Because of the processing and sorting required beyond the curing done in the tobacco barns on the farms, all the stocks of wrapper tobacco are held by cigar manufacturers or leaf dealers. Table 11 shows the ownership of these stocks for crop years 1969/70 to 1975/76. Cigar manufacturers own more than 80 percent of the stocks of both types of wrapper tobacco. Those stocks held by leaf dealers are believed to be tobacco grown by farmers that did not have a contract with a cigar manufacturer, with the dealer finding a market for the tobacco after it has been processed and sorted.

Official statistics do not separate stocks of imported wrapper tobacco from stocks of other imported cigar leaf tobacco, but cigar manufacturers and importers responding to the Commission's questionnaire provided information on their inventories of imported cigar wrapper tobacco. Between June 30, 1970, and June 30, 1975, reported inventories of wrapper tobacco from Nicaragua increased by more than 150 percent, and those of wrapper tobacco from Honduras increased by about 25 percent. The reported inventories of wrapper tobacco from all other countries, including Cameroon, declined by about 25 percent over this period. Cigar manufacturers owned 85 percent of all imported wrapper tobacco inventories reported during this period. They owned 87 percent of the stocks of the Nicaraguan wrapper tobacco, 62 percent of the Honduran wrapper, all of the Cameroon wrapper, and 98 percent of the wrapper tobacco imported from other countries.

Prices

Connecticut Valley wrapper tobacco, being superior in quality to Georgia-Florida wrapper tobacco, commands a considerable price premium over the latter. Growers of Conneticut Valley wrapper tobacco received an average price per pound (farm-sales weight) of $6.00 in 1974, compared with the average price of $3.80 per pound (farm-sales weight) for Georgia-Florida wrapper tobacco in that year (table 12). In recent years, the average price of Georgia-Florida wrapper tobacco approached that of Connecticut Valley wrapper tobacco only in 1968, when growers of Georgia-Florida wrapper tobacco received an average of $2.70 per pound, compared with an average of $2.80 per pound for Connecticut Valley wrapper tobacco. Since 1968, however, the price gap between Connecticut Valley wrapper tobacco and Georgia-Florida wrapper tobacco has widened considerably. However, the price of some of the lower grade Connecticut Valley wrapper tobacco overlaps the price of Georgia-Florida wrapper tobacco, and such Connecticut Valley tobacco is used on the same price range of cigars as Georgia-Florida wrapper tobacco.

The average price to growers of Connecticut Valley wrapper tobacco declined from $3.60 per pound in 1967 to $2.80 per pound in 1968, rose to $4.00 per pound for each of the years 1969-71, and has risen substantially each year since 1971 ($4.85 per pound in 1972, $5.15 per pound in 1973, and $6.00 per pound in 1974). It is reported that some of the larger, high-grade Connecticut Valley wrapper tobacco leaves sell for up to $14.00 per pound.

The price to growers of Georgia-Florida wrapper tobacco has risen erratically and much more slowly than the price of Connecticut Valley wrapper tobacco. Growers of Georgia-Florida wrapper tobacco received $2.45 per pound in 1967, and the price fluctuated somewhat in the years 1968 to 1971. The price to growers of this tobacco rose steadily from $2.62 per pound in 1971 to $3.80 per pound in 1974, or at an average annual rate of 13.2 percent, compared with an average annual price increase of 14.5 percent for Connecticut Valley wrapper tobacco during the same period. At least two Georgia-Florida growers testified that growers in the Georgia-Florida area would have to receive at least $5.00 to $5.50 per pound in order to grow wrapper tobacco profitably.

The farm value ascribed to domestic wrapper tobacco shown above and in table 12 is an average value; in actuality, the price can vary considerably depending on thickness, color, size, and quality of the leaf. For large cigar manufacturers that grow and pack their own wrapper tobacco, the farm price is merely a bookkeeping valuation which is made at the time the wrapper tobacco is delivered to the packinghouse. For the small farmer growing under contract, the price is determined by the manufacturer's examining samples of the farmer's product and then offering the farmer a price based on percentages of the different types of wrapper tobacco leaf in the sample.

The price received by growers of U.S.-produced wrapper tobacco is only a part of the cigar manufacturer's delivered cost. The farm value given to domestic wrapper tobacco generally applies to the leaf as it leaves the curing barn; the costs of fermentation, packing, sorting, grading, and storage are not included. Moreover, some wrapper tobacco is lost because of substandard leaves, damaged leaves, and reduction in moisture content. These subsequent events could lead to cost increases to the cigar manufacturer of 50 percent or more above the farm price. In other words, the cost of wrapper tobacco having a farm value of $4.00 per pound could be $6.00 per pound or more by the time the tobacco is ready to be used in the manufacture of cigars.

Extra costs such as grading, sorting, and leaf loss must be added to the farm price of U.S.-produced wrapper tobacco in order to make the cost of such tobacco comparable with the cost of landed, duty-paid imported wrapper tobacco. The prices for landed, duty-paid imported wrapper tobacco are for wrapper tobacco which is sorted, graded, and ready to be used in the manufacture of cigars, while the farm price which is usually quoted for U.S.-produced wrapper tobacco is for wrapper tobacco that is not ready to be used in cigar manufacture.

Wrapper tobacco imported from Nicaragua was valued at $2.92 per pound 1/ in 1974, while wrapper tobacco from Honduras was valued at $2.91 per pound; 1/ when the duty of 90.9 cents per pound is added to the price of imported Nicaraguan and Honduran wrapper tobacco, the average total cost of such tobacco was still under $4.00 per pound in 1974. Transportation costs, insurance costs, and brokerage fees added approximately 12 cents per pound to the cost of importing wrapper tobacco in 1974. In addition to these costs, there is a Nicaraguan export tax of approximately 10 percent ad valorem on exports of candela

1/ U.S. customs valuation.

wrapper tobacco. Despite the additional charges involved in importing wrapper tobacco, the average landed, duty-paid price of Nicaraguan and Honduran wrapper tobacco is still below the average price to the manufacturer of both Georgia-Florida and Connecticut Valley wrapper tobacco.

The cost of importing Cameroon wrapper tobacco is higher than that of importing Central American wrapper tobacco. The average price of Cameroon tobacco was $7.78 per pound in 1974, excluding the duty, the cost of transportation and insurance, and other miscellaneous costs. U.S. users of Cameroon wrapper tobacco are apparently willing to pay such a premium price because of the fine quality and uniqueness of the Cameroon wrapper tobacco.

The demand for cigars, especially for lower priced cigars, is believed by cigar manufacturers to be somewhat price elastic, i.e., an increase in price causes a larger decrease in cigar consumption. Cigar manufacturers (whose profits after taxes were only 1 percent of sales in 1974) have been reluctant to raise cigar prices, because a decline in sales and revenue often ensues. Accordingly, the average retail price of cigars has risen only 23 percent since 1967, while the Consumer Price Index has risen 58 percent.

In order to avoid raising prices on cigars, especially in the lower price range, cigar manufacturers have attempted to hold down the prices of raw materials used in cigars. Some manufacturers have realized cost efficiencies by utilizing manufactured wrapper, which is relatively cheap, in place of natural wrapper. Sample data obtained by the Commission indicate that the cost of manufactured wrapper purchased by certain cigar manufacturers in 1974 ranged from $1.91 per pound to $3.38 per pound and averaged $2.52 per pound. The use of manufactured cigar wrapper permits cost efficiencies not only in the wrapper itself, but also in labor costs. Data presented to the Commission by one manufacturer show that labor costs can be reduced 38 percent when manufactured wrapper is used in place of natural wrapper in the cigar-manufacturing process, because of increased mechanization.

Employment

Production of wrapper tobacco is highly labor intensive, perhaps more so than any other agricultural crop. Hand labor is used to erect the cheesecloth shade, sow the seedbeds, transplant and later tie the plants for support, and harvest, cure, pack, sweat, sort, and grade the tobacco. Between spring and fall, each plant requires up to 15 separate hand operations. About 1,200 to 1,300 man-hours of labor are required to produce 1,500 pounds of wrapper tobacco.

The amount of labor involved has helped push production costs above $7,000 per acre, both in the Connecticut Valley and in the Georgia-Florida region. Wages accounted for about 38 percent of the total cost of growing wrapper tobacco in the Georgia-Florida region in crop year 1974/75; other direct and indirect labor costs, such as social security payments, housing for the workers, and transportation (some of the Georgia-Florida workers live directly on the tobacco farms throughout the year, while other are bused in during the peak seasons), help to push the labor cost of growing wrapper tobacco to well over 40 percent of the total cost.

It is unlikely that any new mechanization will significantly replace human labor in the production of wrapper tobacco, owing to the fragility of the tobacco leaves. Moreover, production of shade-grown wrapper tobacco does not lend itself to mechanization; for example, harvesting machines cannot be used because of the tobacco poles and the narrowness of the rows between the plants.

The decline in the number of growers in the Georgia-Florida region and the corresponding decline in acreage of wrapper tobacco (from 4,950 acres in crop year 1969/70 to 1,100 acres in crop year 1975/76) have led to a drastic decline in the labor force devoted to production of this tobacco in recent years. Based on testimony and evidence that the peak number of employees involved in the production of Georgia-Florida wrapper tobacco is roughly three persons per acre, excluding supervisory personnel, the peak employment in such production decreased from about 15,000 employees in crop year 1969/70 to about 3,300 employees in crop year 1975/76, or by about 75 percent. Only a small percentage of these employees work in tobacco-growing operations 12 months of the year.

The peak period of employment is the 6-to-8-week harvesting and curing period, which stretches from about mid-May to mid-July in Georgia-Florida and from July to September in the Connecticut Valley. During this period one-half to three-fourths of the total man-hours involved in growing wrapper tobacco are expended.

In the Connecticut Valley, 1,000 or more employees are presently required throughout the year. This figure increases to about 3,000 to 3,500 employees in May and June, and averages about 15,000 employees during July and August. Assuming that production of wrapper tobacco in the Connecticut Valley requires three persons per acre during the period of peak employment, the peak labor force is calculated to have declined from 18,900 in crop year 1969/70 to 13,500 in crop year 1975/76, or by about 30 percent. Connecticut Valley growers have traditionally used not only local employees, but also migrant workers from Puerto Rico and other areas that are transported to and housed in the Connecticut Valley area at the growers' expense. This practice diminished substantially in 1974 and 1975 because of the increasing availability of local labor resulting from the nationwide economic recession.

The overall educational level of many of the workers, other than students, engaged in the production of wrapper tobacco, especially in the Georgia-Florida area, is low, and these people have found employment mainly as farm workers. Workers in wrapper tobacco production have consisted largely of students (used mainly in harvesting), women (who are employed up to 10 months of the year, especially in the curing barn and in sorting and grading operations), and young children (who until recently were used in harvesting and sometimes in the curing barn). Currently, relatively few of the wrapper tobacco workers are heads of households, partly because of better opportunities elsewhere and partly because wrapper tobacco production is mainly seasonal employment; some males are employed year round, but are put on parttime status for 2 or 3 months. One phenomenon of the Georgia-Florida wrapper tobacco farms until recently was that entire families would work on tobacco farms, with the men working in the fields, women, in the curing barns and in sorting and grading, and children, both in the fields and in the barns. This no longer occurs because, pursuant to a law effective May 1, 1974, children under 12 years of age can no longer be legally employed in wrapper tobacco fields.

Students now comprise a fairly large part of the labor force used to harvest wrapper tobacco, both in Georgia-Florida and in the Connecticut Valley. Students comprise about half of the Georgia-Florida wrapper tobacco labor force during the harvest period, and over the entire tobacco-producing season they account for about 400 man-hours of labor per acre out of a total of 1,500 man-hours needed to produce one acre of wrapper tobacco. In the area producing Georgia-Florida wrapper tobacco, the end of the school year has in some schools been made to coincide with the beginning of the harvesting period.

As of May 1, 1974, workers in the wrapper tobacco fields became subject to the Federal minimum wage of $1.60 per hour. This minimum wage increased to $1.80 per hour in 1975 and will increase further to $2.00 per hour in 1976, $2.20 per hour in 1977, and $2.30 per hour in 1978. Certified students 12 and 13 years old who work in the wrapper tobacco fields must be paid a minimum of $1.53 per hour ($1.70 per hour in 1976); this provision is used somewhat in Georgia-Florida but not in the Connecticut Valley. The fact that wrapper tobacco production became subject to the minimum wage in 1974, coupled with the fact that children under 12 can no longer be legally employed in the tobacco fields, has led to increased labor costs for the Georgia-Florida growers of wrapper tobacco. In the Connecticut Valley wrapper tobacco fields, teenage workers are presently paid $1.80 per hour, while adult workers receive $2.28 per hour. These wages are coupled with a piecework system for harvesting and in the curing barn in the Connecticut Valley; workers are paid extra for any production over and above a given quota.

Profit-and-loss experience of domestic producers

Questionnaires were sent to all known producers of shade-grown wrapper tobacco that grew such tobacco during the past 5 years. In each area--Georgia-Florida and Connecticut Valley--about 60 percent of the independent growers submitted usable financial data. Manufacturers of cigars could not supply usable financial information on their farm operations because they used the tobacco grown on these farms in the manufacture of cigars and had little or no outside sales. The Connecticut Valley tobacco crop was owned in major part by cigar manufacturers that accounted for about 60 to 70 percent of all the acreage planted in that area.

Georgia-Florida growers.--Usable financial data were received from 36 growers in the Georgia-Florida region. Of these, 31 produced in each year during the 1970-74 period, and of the other 5 producers, 4 operated in only 2 years and 1 produced in 4 years.

For these 36 growers the sales of wrapper tobacco increased from $4.5 million in 1970 to a high of $5.8 million in 1973 and fell slightly to $5.7 million in 1974. Profits were at their highest level in 1970 ($407,000), when sales were relatively low; a loss of $30,000 was sustained in 1972; and profits of $130,000 and $186,000 were reported for 1973 and 1974, respectively. The ratio of net profit to net sales varied widely from a break-even point in 1972 to a high of 7.5 percent in 1970 (table 13). If one large grower, which reported sales and profit data in 1972 and 1973 only, were excluded from the group for which the data above are given, the totals for those years would differ significantly because that firm had sales and profits of $1.0 million and $29,000, respectively, in 1972 and $1.3 million and $110,000, respectively, in 1973.

Table 14 shows the financial experience of farmers that grew wrapper tobacco in each of the 5 years. Sales of these growers remained stable during 1970-73, but in 1974 they increased by $877,000 over what they had been in 1973. This gain was due largely to price increases and increased exports. These growers showed profits in 1970, 1971, and 1974 and small losses in 1972 and 1973. In 1970, the largest net profit before income taxes of the 5 years was realized when $407,000 was earned; in 1972 a loss of $18,000 was reported. The ratios of net operating profit or loss to net sales ranged from a profit of 7.5 percent in 1970 to a loss of 0.3 percent in 1972.

Connecticut Valley growers.--Financial information was received from growers of cigar wrapper tobacco that accounted for approximately 60 percent of the output of the independent growers in the Connecticut Valley. Sales of wrapper tobacco by the growers increased almost without interruption from $5.4 million in 1970 to $6.3 million in 1974.

Profits fluctuated from year to year. The high net profit before income taxes was reached in 1974 at $600,000 and the low in 1973 at $376,000. The ratio of net operating profit to net sales ranged between 10.3 percent in 1970 and 6.6 percent in 1973 (table 15).

Total operations of both growing regions.--Sales of wrapper tobacco and total sales of all products of the producers of wrapper tobacco in both growing regions increased without interruption during 1970-74; the low for the 5-year period was $9.9 million in 1970, and the high was $12.0 million in 1974. Net profits before income taxes did not follow the same pattern as sales; the highest profits were attained in 1970, the year when sales were at their lowest level. Ratio of net operating profits to net sales amounted to 8.9 percent in 1970, 5.8 percent in 1971, 4.1 percent in 1972, 3.9 percent in 1973, and 6.0 percent in 1974 (table 16).

The Question of Imports as a Substantial Cause of Injury

In recent years, imports of wrapper tobacco have been supplying an increasing percentage of total U.S. apparent consumption (table 3), since domestic disappearance of domestic wrapper tobacco has been declining while imports have been increasing. From crop year 1969/70 to crop year 1974/75, apparent consumption of wrapper tobacco declined irregularly from 12.9 million pounds to 7.3 million pounds, representing a drop of approximately 45 percent. Over the same period, imports (farm-sales-weight basis) increased steadily from 0.7 million pounds to 1.3 million pounds, with the ratio of imports to consumption increasing from 5.3 percent to 17.6 percent.

Annual U.S. consumption of domestically produced wrapper tobacco has declined sharply in the 1970's, after increasing moderately during the 1960's. Average annual U.S. consumption rose from 14.8 million pounds in the 3 crop years 1960/61 to 1962/63 to 16.1 million pounds in 1966/67 to 1968/69. In 1969/70 consumption dropped to 12.2 million pounds; it declined irregularly in subsequent years to 6.0 million pounds in 1974/75, when it was 63 percent lower than in 1968/69 (the last year before the sharp decline began). Of the two types of shade-grown wrapper tobacco, the consumption of the Georgia-Florida tobacco declined less than that of the Connecticut Valley tobacco. In 1974/75 the consumption of Georgia-Florida tobacco (3.1 million pounds) was about 56 percent lower than in 1968/69 (7.0 million pounds); the consumption of Connecticut Valley tobacco in 1974/75 (2.9 million pounds) was about 68 percent below that in 1968/69 (9.1 million pounds).

The main use for wrapper tobacco is in the manufacture of large cigars. U.S. production of large cigars rose in the 1960's, and then declined sharply in the 1970's (although less so then the consumption of wrapper tobacco) (table 17). The domestic manufacture of large cigars rose from about 7.0 billion annually in 1960-62 to 8.1 billion annually in 1967-69. Since 1970, the U.S. manufacture of large cigars has been moving downward; output in 1974 amounted to 6.5 billion cigars, or 20 percent less than the annual output in 1967-69. This decline continued in January-June 1975, output being about 4 percent less than in the corresponding period in 1974.

Domestic cigar manufacturers responding to the Commission's questionnaire provided information on their usage of the different types of wrapper tobacco in their large-cigar production (table 18). Between 1970 and 1974, usage of domestically grown wrapper tobacco declined from 76.5 percent to 69 percent of reported total usage; usage of imported wrapper tobacco increased from 8.5 percent to 18 percent and usage of manufactured wrapper declined from 15 percent to 13 percent. In January-June 1975, reported usage of domestically grown wrapper tobacco declined to 62 percent of the total, imports increased to 21 percent, and manufactured wrapper increased to 17 percent.

Of the different types of wrapper tobacco used in domestic cigar production, the Connecticut Valley wrapper tobacco averaged 40 percent of the total usage between 1970 and 1974, and the Georgia-Florida wrapper averaged 33 percent. Nicaraguan wrapper tobacco averaged 6 percent for this period, and the wrapper tobacco from Honduras and Cameroon each averaged 3 percent. Manufactured wrapper averaged 15 percent of the usage during the period. In January-June 1975, reported usage of the Connecticut Valley wrapper was 38 percent of the total; Georgia-Florida, 24 percent; Nicaraguan wrapper, 10 percent; Honduran wrapper, 5 percent; Cameroon wrapper, 6 percent; and manufactured wrapper, 17 percent.

Information is not available on the distribution of the domestic output of large cigars on the basis of retail price categories, but tax-paid removals by internal revenue tax classes 1/ from domestic factories give a good indication of the trends at different retail price levels (table 19). Since 1969, tax-paid removals of low-priced cigars as a whole, classes A-D, and medium-priced cigars, class E, have been declining. The tax-paid removals of the high-priced cigars, classes F and G, have been moving upward. From 1969 to 1974, annual tax-paid removals of the low-priced cigars declined by about 30 percent, tax-paid removals of the medium-priced cigars declined by almost 20 percent, and tax-paid removals of high-priced cigars increased by more than 65 percent.

The main classes on which the Georgia-Florida wrapper tobacco is used are classes D and E, with some usage on classes B and C. Testimony by different cigar manufacturers indicated that much of the downward movement in the consumption of these classes of cigars is the result

1/ The internal revenue tax classes, which vary on the basis of retail prices, are as follows:

Class A--Not more than 2-1/2 cents each
Class B--More than 2-1/2 cents but not more than 4 cents
Class C--More than 4 cents but not more than 6 cents
Class D--More than 6 cents but not more than 8 cents
Class E--More than 8 cents but not more than 15 cents
Class F--More than 15 cents but not more than 20 cents
Class G--More than 20 cents each

of their having to increase the prices of these cigars in order to meet increasing production costs. They also testified that they have been able to avoid increasing prices and losing sales on some of their lines of cigars by replacing the natural wrapper tobacco with manufactured wrapper tobacco. In most cases this has resulted in manufactured wrapper being substituted for the Georgia-Florida wrapper on cigars retailing for less than 8 cents each. This substitution allows the manufacturers to lower their production costs and to increase productivity, since the manufactured wrapper allows for increased mechanization in the production process.

Four cigar manufacturers that used approximately 8 percent of the Georgia-Florida wrapper tobacco reported to have been used in the period 1971-74 indicated that some of this tobacco is used on classes F and G; such wrapper is believed to be the more expensive candela tobacco, which cannot be replaced with manufactured wrapper.

Connecticut Valley wrapper tobacco is used on all classes of cigars except class A. The class of cigar upon which this tobacco is used depends upon the size and quality of the leaf. The export market is also more important for the Connecticut Valley wrapper tobacco than it is for the Georgia-Florida wrapper tobacco.

Twenty-two of the twenty-nine domestic cigar manufacturers that responded to the Commission's questionnaire indicated that they used imported wrapper tobacco, with usage reported on all classes of cigars except class A. Wrapper tobacco imported from Nicaragua and Honduras is used on all these classes, with most of the tobacco used on classes D, E, F, and G. Much of this tobacco is believed to be candela wrapper tobacco; domestic cigar manufacturers have indicated that the imported candela wrapper tobacco is more satisfactory for their use than the domestically grown tobacco. Wrapper tobacco imported from Cameroon is a high-priced wrapper that is used almost exclusively on the high-priced, class F and G cigars. Most of the wrapper tobacco imported from other countries is used on cigars in classes E, F, and G, with a few manufacturers also using it on classes C and D.

In the 1970's there has been a large increase in the production of small, cigarette-size cigars. One of the main causes of their sharp increase in production was heavy television promotion in the early 1970's after cigarette advertising was banned from this media. After these cigars were banned from broadcast advertising in 1973, demand for them declined, and production of this size cigar also declined. The changes in the demand for these small cigars have had no effect on the demand for natural wrapper tobacco. Because of cost factors and the selling price of these cigars, together with the high degree of automation involved in their production, only manufactured sheet wrapper is used to wrap these cigars.

APPENDIX A
STATISTICAL TABLES

Table 1.--Wrapper tobacco, stemmed (TSUS 170.15): U.S. imports for consumption, by principal sources, 1967-74, 1/ January-July 1974, and January-July 1975

Source	1967	1968	1970	1971	1972	1974	Jan.-July 1974	Jan.-July 1975
	Quantity (1,000 pounds)							
Cameroon	-	-	4.4	22.1	23.6	1.0	-	-
Dominican Republic	-	-	-	-	-	3.3	3.3	-
All other	1.7	1.8	2.2	3.7	1.7	1.0	-	0.3
Total	1.7	1.8	6.6	25.8	25.3	5.3	3.3	.3
	Value (1,000 dollars)							
Cameroon	-	-	21.0	117.1	122.7	3.7	-	-
Dominican Republic	-	-	-	-	-	4.8	4.8	-
All other	2.2	2.2	11.1	16.9	10.1	1.5	-	0.8
Total	2.2	2.2	32.1	134.0	132.8	10.0	4.8	.8
	Unit value (per pound)							
Cameroon	-	-	$4.77	$5.30	$5.20	$3.70	-	-
Dominican Republic	-	-	-	-	-	1.45	$1.45	-
All other	$1.29	$1.22	5.05	3.49	5.94	1.50	-	$2.67
Average	1.29	1.22	4.86	5.19	5.25	1.89	1.45	2.67

1/ There were no imports in 1969 and 1973.

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

Table 2.--Wrapper tobacco, not stemmed (TSUS 170.10): U.S. imports for consumption, by principal sources, 1967-74, January-July 1974, and January-July 1975

Source	1967	1968	1969	1970	1971	1972	1973	1974	Jan.-July 1974	Jan.-July 1975
	Quantity (1,000 pounds)									
Nicaragua	17	61	96	100	130	319	409	488	286	262
Honduras	94	132	204	231	335	228	287	209	131	165
Cameroon	61	147	105	130	63	114	176	173	77	219
Mexico	45	24	33	30	60	55	76	66	37	41
Ecuador	76	124	2	-	3	2	17	22	21	19
All other	69	50	22	80	54	33	52	14	15	24
Total	362	538	462	571	645	751	1,017	972	568	728
	Value (1,000 dollars)									
Nicaragua	51	164	228	304	321	816	1,136	1,423	875	839
Honduras	366	450	677	703	1,013	664	843	609	389	468
Cameroon	317	712	492	676	308	674	1,433	1,346	541	1,763
Mexico	166	97	122	116	210	192	278	229	129	136
Ecuador	301	477	7	-	7	11	71	80	76	68
All other	407	307	117	584	215	160	280	96	92	177
Total	1,608	2,207	1,643	2,383	2,074	2,517	4,041	3,783	2,103	3,451
	Unit value (per pound)									
Nicaragua	$3.00	$2.69	$2.38	$3.04	$2.47	$2.56	$2.78	$2.92	$3.06	$3.20
Honduras	3.89	3.41	3.32	3.04	3.02	2.91	2.94	2.91	2.97	2.84
Cameroon	5.20	4.84	4.69	5.20	4.89	5.91	8.14	7.78	7.03	8.05
Mexico	3.69	4.04	3.70	3.87	3.50	3.49	3.66	3.47	3.49	3.32
Ecuador	3.96	3.85	3.50	-	2.33	5.50	4.18	3.64	3.62	3.58
All other	5.90	6.14	5.32	7.30	3.98	4.85	5.38	6.86	6.13	7.38
Average	4.44	4.10	3.56	4.17	3.22	3.35	3.97	3.89	3.70	4.74

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

Table 3.--Wrapper tobacco: Domestic disappearance of domestic leaf in the United States, U.S. imports, and apparent consumption, crop years 1967/68 to 1974/75

(Farm-sales-weight basis)

Year beginning July 1	Domestic disappearance of domestic leaf	Imports 1/	Apparent consumption	Ratio of imports to consumption
	1,000 pounds	1,000 pounds	1,000 pounds	Percent
1967/68	15,819	514	16,333	3.1
1968/69	16,055	536	16,591	3.2
1969/70	12,248	690	12,938	5.3
1970/71	12,470	668	13,138	5.1
1971/72	11,111	939	12,050	7.8
1972/73	8,543	1,016	9,559	10.6
1973/74	10,073	1,155	11,228	10.3
1974/75	2/ 6,000	1,281	7,281	17.6

1/ Converted to farm-sales-weight basis by the staff of the U.S. International Trade Commission.
2/ Estimated.

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

Table 4.--Wrapper tobacco: Domestic production, exports, and imports, crop years 1969/70 to 1974/75

(Farm-sales-weight basis)

Year beginning July 1	Domestic production	Exports	Imports 1/	Ratio of imports to production
	1,000 pounds	1,000 pounds	1,000 pounds	Percent
1969/70	15,879	1,876	690	4.3
1970/71	14,932	1,873	668	4.5
1971/72	12,397	3,475	939	7.6
1972/73	9,691	3,242	1,016	10.5
1973/74	9,766	2,383	1,155	11.8
1974/75	11,026	2/ 4,400	1,281	11.6

1/ Converted to farm-sales-weight basis by the staff of the U.S. International Trade Commission.
2/ Estimated.

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

Table 5.--Wrapper tobacco, not stemmed (TSUS 170.10): U.S. imports for consumption and general imports, 1967-74, January-July 1974, and January-July 1975

Period	Imports for consumption		General imports	
	Quantity	Value	Quantity	Value
	(1,000 pounds)	(1,000 dollars)	(1,000 pounds)	(1,000 dollars)
1967------	362	1,608	303	1,451
1968------	538	2,207	474	2,029
1969------	462	1,643	599	1,908
1970------	571	2,383	608	2,401
1971------	645	2,074	912	3,052
1972------	751	2,517	1,328	4,626
1973------	1,017	4,041	1,444	4,778
1974------	972	3,783	1,904	6,780
Jan.-July				
1974----	568	2,103	1,201	4,063
1975----	728	3,451	1,058	3,756

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

Table 6.--Wrapper tobacco: U.S. acreage, supply, and disappearance, crop years 1960/61 to 1975/76

(Farm-sales-weight basis)

Year beginning July 1	Acreage	Supply			Disappearance		
		Produc-tion	Beginning stocks	Total	Domestic	Exports	Total
	Acres	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1960/61	14,600	21,309	23,893	45,202	14,333	3,441	17,774
1961/62	13,400	19,150	27,428	46,578	15,337	5,890	21,227
1962/63	13,200	19,325	25,351	44,676	14,627	4,916	19,543
1963/64	12,900	18,696	25,133	43,829	15,355	6,325	21,680
1964/65	13,800	21,120	22,144	43,269	17,408	4,304	21,712
1965/66	15,600	22,898	21,557	44,455	14,871	5,116	19,987
1966/67	14,600	21,018	24,468	45,486	16,563	4,226	20,789
1967/68	13,600	17,577	24,697	42,274	15,819	4,935	20,754
1968/69	13,450	18,068	21,520	39,588	16,055	3,868	19,923
1969/70	11,250	15,879	19,665	35,544	12,248	1,876	14,124
1970/71	9,600	14,932	21,420	36,352	12,470	1,873	14,343
1971/72	7,680	12,397	22,009	34,406	11,111	3,475	14,586
1972/73	7,100	9,691	19,820	29,511	8,543	3,242	11,784
1973/74	7,630	9,766	17,727	27,493	10,073	2,383	12,456
1974/75	6,770	11,026	15,037	26,063	1/ 6,000	1/ 4,400	1/ 10,400
1975/76	5,600	1/ 8,265	1/ 15,663	1/ 23,928	-	-	-

1/ Estimated.

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

Table 7.--Wrapper tobacco, Georgia-Florida shade-grown (type 62): Acreage, supply, and disappearance, crop years 1960/61 to 1975/76

(Farm-sales-weight basis)

Year beginning July 1	Acreage	Supply			Disappearance		
		Production	Beginning stocks	Total	Domestic	Exports	Total
	Acres	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1960/61	6,200	9,339	7,704	17,043	5,574	971	6,545
1961/62	5,700	8,814	10,498	19,312	6,569	2,590	9,159
1962/63	5,300	7,434	10,153	17,587	6,382	2,118	8,500
1963/64	5,200	6,702	9,087	15,789	5,318	2,254	7,572
1964/65	5,400	7,642	8,217	15,859	7,349	1,211	8,560
1965/66	6,300	8,322	7,299	15,621	5,582	1,854	7,436
1966/67	5,800	7,336	8,185	15,521	6,093	743	6,836
1967/68	5,100	8,024	8,685	16,709	6,262	1,648	7,910
1968/69	5,050	7,858	8,799	16,657	6,995	2,139	9,134
1969/70	4,950	7,767	7,523	15,290	5,245	864	6,109
1970/71	3,550	5,645	9,181	14,826	5,813	892	6,705
1971/72	2,980	4,714	8,121	12,835	5,410	773	6,183
1972/73	3,050	4,628	6,652	11,280	3,860	438	4,298
1973/74	2,630	3,716	6,982	10,698	3,634	530	4,164
1974/75	1,870	3,226	6,534	9,760	1/ 3,100	1/ 500	1/ 3,600
1975/76	1,100	1/ 1,812	1/ 6,160	1/ 7,972	-	-	-

1/ Estimated.

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

Table 8.--Wrapper tobacco, Connecticut Valley shade-grown (type 61): Acreage, supply, and disappearance, crop years 1960/61 to 1975/76

(Farm-sales-weight basis)

Year beginning July 1	Acreage	Supply			Disappearance		
		Production	Beginning stocks	Total	Domestic	Exports	Total
	Acres	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1960/61	8,400	11,970	16,189	28,159	8,759	2,470	11,229
1961/62	7,700	10,336	16,930	27,266	8,768	3,300	12,068
1962/63	7,900	11,891	15,198	27,089	8,245	2,798	11,043
1963/64	7,800	11,994	16,046	28,040	10,037	4,071	14,108
1964/65	8,400	13,478	13,932	27,410	10,059	3,093	13,152
1965/66	9,300	14,576	14,258	28,834	9,289	3,262	12,551
1966/67	8,800	13,682	16,283	29,965	10,470	3,483	13,953
1967/68	8,500	9,553	16,012	25,565	9,557	3,287	12,844
1968/69	8,400	10,210	12,721	22,931	9,060	1,729	10,789
1969/70	6,300	8,112	12,142	20,254	7,003	1,012	8,015
1970/71	6,050	9,287	12,239	21,526	6,657	981	7,638
1971/72	4,700	7,683	13,888	21,571	5,701	2,702	8,403
1972/73	4,050	5,063	13,168	18,231	4,682	2,804	7,486
1973/74	5,000	6,050	10,745	16,795	6,439	1,853	8,292
1974/75	4,900	7,800	8,503	16,303	1/ 2,900	1/ 3,900	1/ 6,800
1975/76	4,500	1/ 6,453	1/ 9,503	1/ 15,956	-	-	-

1/ Estimated.

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

Table 9.--Wrapper tobacco, Georgia-Florida: U.S. exports of domestic merchandise, by principal markets, 1970-74

Market	1970	1971	1972	1973	1974
	Quantity (1,000 pounds) 1/				
West Germany	280	373	403	393	322
Canada	110	174	18	23	18
Dominican Republic	-	20	-	-	10
Belgium	51	77	70	16	26
All other	280	221	45	23	38
Total	721	865	536	455	414
	Value (1,000 dollars)				
West Germany	380	408	529	685	590
Canada	181	234	99	142	125
Dominican Republic	-	88	-	-	55
Belgium	21	26	27	28	47
All other	234	260	80	70	97
Total	816	1,016	735	925	914
	Unit value (per pound)				
West Germany	$1.36	$1.09	$1.31	$1.74	$1.83
Canada	1.65	1.34	5.50	6.17	6.94
Dominican Republic	-	4.40	-	-	5.50
Belgium	.41	.34	.39	1.75	1.81
All other	.84	1.18	1.78	3.04	2.55
Total	1.13	1.17	1.37	2.03	2.21

1/ Packed weight.

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

Table 10.--Wrapper tobacco, Connecticut Valley: U.S. exports of domestic merchandise, by principal markets, 1970-74

Market	1970	1971	1972	1973	1974
	Quantity (1,000 pounds) 1/				
United Kingdom	232	924	1,121	469	997
Dominican Republic	-	139	360	240	657
Canada	210	239	255	328	235
Netherlands	10	-	108	59	146
Canary Islands	113	89	152	146	129
France	19	30	22	42	66
Jamaica	21	23	34	45	34
All other	244	228	436	307	174
Total	849	1,672	2,488	1,636	2,438
	Value (1,000 dollars)				
United Kingdom	1,752	7,235	8,864	3,997	9,288
Dominican Republic	-	643	1,750	1,048	3,225
Canada	955	1,091	1,218	1,726	1,319
Netherlands	22	-	915	346	1,240
Canary Islands	340	399	418	613	562
France	106	157	119	258	377
Jamaica	151	195	238	377	299
All other	732	639	923	680	599
Total	4,058	10,359	14,445	9,045	16,909
	Unit value (per pound)				
United Kingdom	$7.55	$7.83	$7.91	$8.52	$9.32
Dominican Republic	-	4.63	4.86	4.37	4.91
Canada	4.55	4.56	4.78	5.26	5.61
Netherlands	2.20	-	8.47	5.86	8.49
Canary Islands	3.01	4.48	2.75	4.20	4.36
France	5.58	5.10	5.41	6.14	5.71
Jamaica	7.19	8.48	7.00	8.38	8.79
All other	3.00	2.80	2.12	2.21	3.44
Total	4.78	6.20	5.81	5.53	6.94

1/ Packed weight.

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

Table 11.--Wrapper tobacco: Ownership of beginning domestic stocks, by type of tobacco, crop years 1969/70 to 1975/76

(In millions of pounds, farm-sales-weight basis)

Year beginning July 1	Georgia-Florida			Connecticut Valley		
	Manu- facturers	Other 1/	Total	Manu- facturers	Other 1/	Total
1969/70------	6.5	1.0	7.5	11.1	1.0	12.1
1970/71------	7.5	1.7	9.2	11.5	0.7	12.2
1971/72------	6.8	1.3	8.1	12.5	1.4	13.9
1972/73------	5.7	0.9	6.7	11.4	1.8	13.2
1973/74------	5.7	1.3	7.0	9.0	1.7	10.7
1974/75------	5.1	1.4	6.5	6.9	1.6	8.5
1975/76 2/---	4.9	1.3	6.2	8.2	1.3	9.5

1/ Stocks of dealers; may include quantities held by foreign firms.
2/ Data subject to revision.

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

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

Table 12.--Wrapper tobacco, types 61 and 62: Average price to growers, 1967-74

(Price per pound, farm sales weight)

Year beginning July 1--	Connecticut Valley shade-grown (type 61)	Georgia-Florida shade-grown (type 62)	Average shade-grown (types 61 and 62)
1967/68	$3.60	$2.45	$3.08
1968/69	2.80	2.70	2.76
1969/70	4.00	2.80	3.41
1970/71	4.00	2.70	3.51
1971/72	4.00	2.62	3.48
1972/73	4.85	2.80	3.87
1973/74	5.15	3.50	4.52
1974/75	6.00	3.80	5.36

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

Table 13.--Profit-and-loss experience of Georgia-Florida growers of shade-grown wrapper tobacco, 1970-74 1/

Year	Sales of wrapper tobacco	Sales of other farm products	Total sales	Cost of sales	Net profit or (loss) before income taxes	Ratio of net operating profit or (loss) to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1970	4,538	916	5,454	5,047	407	7.5
1971	4,435	1,435	5,870	5,640	230	3.9
1972	5,390	1,038	6,428	6,458	(30)	(2/)
1973	5,776	1,354	7,130	7,000	130	1.8
1974	5,711	1,111	6,822	6,636	186	2.7

1/ In 1970 there were 31 growers; in 1971, 32; in 1972, 33; in 1973, 36; and in 1974, 35. 31 growers produced in all 5 years.

2/ Less than 0.05 percent.

Source: Compiled from data submitted to the U.S. International Trade Commission by the domestic producers.

Table 14.--Profit-and-loss experience of Georgia-Florida growers of shade-grown wrapper tobacco that grew such tobacco all 5 years, 1970-74

Year	Sales of wrapper tobacco	Sales of other farm products	Total sales	Cost of sales	Net profit or (loss) before income taxes	Ratio of net operating profit or (loss) to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1970	4,538	916	5,454	5,047	407	7.5
1971	4,285	1,435	5,720	5,483	237	4.1
1972	4,252	1,033	5,285	5,303	(18)	(.3)
1973	4,328	1,315	5,643	5,645	(2)	(1/)
1974	5,424	1,096	6,520	6,359	161	2.5

1/ Less than 0.05 percent.

Source: Compiled from data submitted to the U.S. International Trade Commission by the domestic producers.

Table 15.--Profit-and-loss experience of Connecticut Valley growers of shade-grown wrapper tobacco for the years 1970-74

Year	Sales of wrapper tobacco	Sales of other farm products	Total sales	Cost of sales	Net profit before income taxes	Ratio of net operating profit to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1970	5,351	6	5,357	4,806	551	10.3
1971	5,631	10	5,641	5,208	433	7.7
1972	5,762	3	5,765	5,233	532	9.2
1973	5,666	28	5,694	5,318	376	6.6
1974	6,267	2	6,269	5,669	600	9.6

Source: Compiled from data submitted to the U.S. International Trade Commission by the domestic producers.

Table 16.--Combined profit-and-loss experience of Georgia-Florida and Connecticut Valley growers of shade-grown wrapper tobacco 1970-74

Year	Sales of wrapper tobacco	Sales of other farm products	Total sales	Cost of sales	Net profit before income taxes	Ratio of net operating profit to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1970	9,889	922	10,811	9,853	958	8.9
1971	10,066	1,445	11,511	10,848	663	5.8
1972	11,152	1,041	12,193	11,691	502	4.1
1973	11,442	1,382	12,824	12,318	506	3.9
1974	11,978	1,113	13,091	12,305	786	6.0

Source: Compiled from data submitted to the U.S. International Trade Commission by the domestic producers.

Table 17.--Cigars: U.S. production and tax-paid removals, 1960-74, January-June 1974, and January-June 1975

(In thousands of cigars)

Period	Production 1/		Tax-paid removals 4/	
	Small cigars 2/	Large cigars 3/	Small cigars 2/	Large cigars 3/
1960	148,652	6,963,751	141,922	6,510,894
1961	158,157	6,810,075	146,088	6,371,791
1962	163,953	7,182,431	155,772	6,355,086
1963	281,493	7,280,615	264,226	6,564,952
1964	973,894	9,557,088	939,743	8,106,093
1965	449,673	8,841,453	434,713	7,577,869
1966	445,340	8,223,063	435,674	8,442,454
1967	433,909	8,061,649	430,683	7,945,677
1968	523,341	8,257,831	503,472	7,794,802
1969	743,195	8,031,695	731,036	7,823,254
1970	933,363	8,378,443	896,357	7,964,771
1971	1,135,548	7,941,528	1,083,319	7,727,846
1972	4,022,394	7,472,657	3,932,725	7,168,220
1973	4,414,992	6,955,044	4,334,144	6,858,118
1974	3,099,359	6,471,350	3,065,625	6,240,112
January-June--				
1974	1,545,654	3,132,701	1,554,182	3,049,007
1975	1,604,542	3,009,979	1,548,628	2,842,023

1/Includes large and small cigars manufactured in continental United States and shipments to continental United States from Puerto Rico, all of which are believed to be large cigars.

2/ Small cigars are cigarette-size cigars that weigh not more than 3 pounds per thousand.

3/ Large cigars are cigars that weigh more than 3 pounds per thousand.

4/ Beginning in 1966, includes removals of cigars from Puerto Rico.

Source: Domestic production and tax-paid removals compiled from official statistics of the U.S. Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms; shipments from Puerto Rico compiled from official statistics of the U.S. Department of Commerce.

Table 18.--Wrapper tobacco: Usage in large-cigar production in the United States, by type, 1970-74, January-June 1974, and January-June 1975 1/

(In thousands of pounds)

Type	1970	1971	1972	1973	1974	Jan.-June 1974	Jan.-June 1975
U.S. shade-grown wrapper tobacco:							
Type 61--Connecticut Valley	5,825	4,953	4,936	4,732	4,461	2,360	1,939
Type 62--Georgia-Florida	4,098	4,738	4,328	3,748	3,552	1,628	1,266
Total	9,923	9,691	9,264	8,480	8,013	3,988	3,205
Imported wrapper tobacco: 2/							
Nicaragua	472	495	608	895	1,000	547	501
Honduras	302	344	421	487	512	244	283
Cameroon	325	377	363	435	560	264	306
Total	1,099	1,216	1,392	1,817	2,072	1,055	1,090
Manufactured wrapper tobacco sheet 3/	1,957	1,824	1,827	1,785	1,571	725	864
Total usage	12,979	12,731	12,483	12,082	11,656	5,768	5,159

1/ Information was obtained from 29 domestic cigar manufacturers who produced approximately 92 percent of all domestically produced large cigars in 1974.

2/ Imported wrapper tobacco, as reported to the Commission, includes unknown quantities of high quality binder and filler type tobaccos that are used to wrap cigars.

3/ Includes usage reported in bobbins converted to pounds based on an estimate of 5 pounds per bobbin. The International Trade Commission has been informed that the weight of these bobbins can range between 3 and 9 pounds, depending on the size and type of cigar on which the manufactured wrapper tobacco is used.

Source: Compiled from data submitted to the U.S. International Trade Commission by domestic cigar manufacturers.

Table 19.--Cigars: Tax-paid removals of large cigars from U.S. factories, by internal revenue tax classes, 1/ 1960-74, 2/ January-June 1974, and January-June 1975

(In thousands of cigars)

Period	Class A	Class B	Class C	Class D	Class E	Class F	Class G
1960	17,132	315,075	2,627,878	1,151,030	2,140,926	181,574	77,280
1961	20,495	332,855	2,586,509	1,028,875	2,159,102	165,860	78,096
1962	20,679	344,613	2,543,518	958,068	2,233,759	135,223	119,225
1963	24,839	375,449	2,724,119	898,545	2,259,906	146,290	135,804
1964	165,515	559,060	3,581,907	1,025,203	2,446,592	163,619	164,196
1965	137,652	594,183	3,367,123	870,872	2,256,311	181,004	170,723
1966	121,738	569,756	3,454,149	796,439	2,738,101	292,056	178,113
1967	120,798	601,151	3,297,457	814,792	2,610,951	315,324	185,204
1968	125,885	381,091	3,361,159	1,026,619	2,385,977	332,239	181,834
1969	155,562	258,574	3,085,516	1,401,065	2,394,506	344,376	183,655
1970	179,378	469,241	3,042,983	1,532,718	2,212,695	345,601	182,155
1971	196,706	714,342	2,661,269	1,409,214	2,228,671	334,689	182,955
1972	76,849	674,606	2,515,346	1,228,276	2,147,728	330,454	194,961
1973	6,313	628,546	2,348,637	1,084,428	2,207,669	366,934	215,590
1974	4,495	534,306	1,663,439	1,229,373	1,930,439	641,766	236,294
January-June--							
1974	2,354	299,618	785,931	568,382	976,579	304,307	111,835
1975	2,057	214,424	775,541	550,876	876,838	306,019	116,268

1/ The internal revenue tax classes, which vary on the basis of retail prices, are as follows:
Class A--Not more than 2-1/2¢ each
Class B--More than 2-1/2¢ but not more than 4¢
Class C--More than 4¢ but not more than 6¢
Class D--More than 6¢ but not more than 8¢
Class E--More than 8¢ but not more than 15¢
Class F--More than 15¢ but not more than 20¢
Class G--More than 20¢ each

2/ Beginning in 1966 includes removals of cigars from Puerto Rico.

Source: Compiled from official statistics of the U.S. Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms.

APPENDIX B

LETTERS FROM CIGAR MANUFACTURERS THAT CONTRACT FOR GEORGIA-FLORIDA WRAPPER TOBACCO ON THEIR INTENTIONS FOR CROP YEAR 1976/77

JNO. H. SWISHER & SON, INC.
P. O. BOX 2230
JACKSONVILLE, FLORIDA 32203

GEORGE S. COULTER
PRESIDENT

September 15th, 1975

Mr. James Chase
International Trade Commission
Eighth and "E" Streets, N.W.
Washington, D.C. - 20436

Re: Petition of Cigar Leaf Tobacco Foundation, Inc.
Investigation No. TA-201-3 - Wrapper Tobacco

Dear Mr. Chase:

As indicated in a phone conversation, I am informed by our tobacco people that the warehouse cost of sweating and sorting Florida shade grown tobacco was 60.2 cents per pound for the 1974 crop.

I am enclosing a copy of the September 11th issue of the Gadsden County Times which writes of the termination of tobacco growing activities by King Edward Tobacco Company. This eliminates almost forty percent of 1975 Type 62 acreage.

The article entitled "End Leaves Memories" by Mr. Gene Adams is news to me. I do not know Mr. Adams. His memories remind me of my own for between June 1st, 1929, and September 1st, 1933, I spent almost twenty months between school terms working on tobacco farms and in packing houses of the American Sumatra Tobacco Corporation and have nothing but the most pleasant thoughts of that experience. At that time, I had no reason to believe that I would ever be engaged in any part of the tobacco industry, and certainly never dreamed that over forty years later, I would be called upon to make a decision such as that described in the newspaper article.

Speaking for this Company, I can confirm to you that we will not be contracting for or growing and packing Florida shade grown tobacco in the future.

Sincerely yours,

George Coulter

GSC/vbb
Enclosure

HAVATAMPA

RECEIVED

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OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

Octobe

Mr. Kenneth R. Mason, Secretary
U.S. International Trade Commission
8th & " E " Sts. N.W.
Washington, D.C.

Dear Mr. Mason:

The Havatampa Corporation will reduce the number of acres grown and contracted to be grown of the Type 62 wrapper tobacco for the crop year of 1976.

This reduction is necessary because of our current inventory position of Type 62 tobacco.

Sincerely,

Robert F. Ennis

Robert F. Ennis

RFE/pa

Consolidated Cigar Corporation
A GULF + WESTERN COMPANY

131 Oak Street
Glastonbury, Connecticut 06033
203-633-3641

October 2, 1975

Mr. James Chase
U. S. International Trade Commission
701 East Street N. W.
Washington, D. C. 20436

Dear Sir:

In reference to your phone inquiry of October 1st, 1975, we are happy to furnish you with the following information and thoughts on Consolidated Cigar Corporation's contract acreage in the Florida wrapper growing area for the 1975 - 1976 growing seasons.

In 1975 we contracted with our Florida growers for 195 acres. The determining factors in arriving at these acres were the company's inventory position and projected sales of cigars using the Florida type wrapper. We decided in September, upon examination of our company inventory, our sales of fiscal 1975 and our projected sales for fiscal 1976 (our fiscal year begins August 1st of each year), that our position called for contracting for increased acres in the 1976 crop.

This increase in acres in the 1976 crop was accomplished in September. We plan on maintaining the growers we contracted with in 1975 and will probably have an additional grower with us to reach our goal of approximately 260 acres. I am hopeful that with a maintaining position or improvement in cigar sales using this Florida type wrapper that we will be able to continue contracting for wrapper in Florida.

With best regards,

Yours very truly,

CONSOLIDATED CIGAR CORPORATION

Roswell S. Billings
Assistant Vice President-Tobacco

RSB:mes

Library Cataloging Data

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Wrapper tobacco. Report to the President on investigation no. TA-201-3 under section 201 of the Trade act of 1974. Washington, 1975.

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